

Europeans Stress East-West Balance

Poll Shows Drop in Reliance on U.S., Push for Soviet Contacts on Security

By Charles Mitchellmore
International Herald Tribune

PARIS — European reliance on cooperation with the United States for the future security of the West has decreased significantly in the past year, according to an international poll carried out in recent weeks.

At the same time, pollsters found that Europeans believe to a much greater degree than in 1982 in the importance of contacts with the Soviet Union as a means of achieving security — ranking that above cooperation with the United States in six of seven West European countries surveyed.

Nonetheless, the survey found strong support in most countries for introduction of enough nuclear arms to achieve an East-West balance. Respondents in three of four countries scheduled to deploy U.S. intermediate-range missiles — Britain, West Germany and the Netherlands — clearly supported such a balance. However, in Italy, where missiles also are scheduled for deployment, 35 percent of those polled, a plurality, favored giving up all nuclear weapons, even if the Soviet Union does not. There was no polling in Belgium, the fifth country due to receive U.S. missiles.

These are among the principal findings of the third poll sponsored by the Atlantic Institute for International Affairs, a private independent research center in Paris, along with the International Herald Tribune and other leading newspapers and a radio-TV network. The polling, conducted and tabulated by the Louis Harris organization, took place in the United States, Japan and seven West European countries — Britain, France, Italy, the Netherlands, Norway, Spain and West Germany.

Other significant findings of the current survey were these:

- Unemployment is still the greatest single concern in all nine countries, although it has declined as a worry in six nations.
- The threat of war and worry about nuclear weapons continue to rank high as concerns in most countries, in some cases higher than they did last spring. In the United States, both items have nearly doubled in importance and

the threat of war has overtaken crime to become the second most important concern.

• In six European nations and the United States, those polled said they favor introducing just enough nuclear weapons to create a balance between East and West, pending completion of an acceptable arms agreement. In Italy and Spain, however, the survey found strong support for unilateral nuclear disarmament. Responses in Japan were split almost equally among unilateral nuclear disarmament, a nuclear freeze and balance.

• In four European countries and Japan, pluralities said they believed the use of nuclear weapons is not acceptable under any circumstances. In the other countries — including the three Western nuclear arms nations, the United States, France and Britain — respondents favored use of nuclear weapons if their country were attacked.

• The poll showed that up to one-third of Americans believe that their personal economic situations will be better a year from now. That was significantly higher than in other countries, where respondents said the future looked about the same economically, although large numbers of people polled in France, the Netherlands, Spain and Japan said they thought their situations would be worse than today.

• By ratios of 2-to-1 or better, Americans and Italians favor restrictions on imports if jobs are at stake. The trend is less pronounced in other countries surveyed, but more respondents would support protectionism than free trade in all countries except the Netherlands and Norway. In Japan, replies were almost evenly divided among protectionism, free trade and no response.

The poll, in which seven questions were put to representative samples in all nine countries, focused for the most part on nuclear security issues. It included three questions asked in the first survey one year ago in all of the countries except Japan, and it sought reactions to two questions similar to those posed in March of this year in the second poll, which dealt with economics.

The polling was completed by (Continued on Page 6, Col. 1)



Reporters following Prime Minister Yasuhiro Nakasone into his office Monday after he announced that elections for the lower house of Japan's parliament were set for Dec. 18.

Kohl, Citing Andropov Letter, Asserts Moscow May Reconsider Geneva Talks

By James M. Markham
New York Times Service

BONN — Chancellor Helmut Kohl of West Germany said Monday that he had received a letter from Yuri V. Andropov, the Soviet president, who expressed the view that the tense situation arising from the arrival of U.S. nuclear missiles in Western Europe was not "irreversible."

At a news conference, Mr. Kohl interpreted the letter as meaning that the Soviet leadership was ready "to reconsider and possibly revise" its decision last week to abandon the Geneva negotiations with the United States over limiting medium-range nuclear weapons.

He quoted Mr. Andropov as

writing: "The Soviet Union does not wish to regard the existing situation as irreversible."

Mr. Kohl also said that he was aware of "many voices in the Warsaw Pact" who were unhappy that the talks in Geneva had not produced an agreement and who wanted to see them resumed. At a reception Monday for the Bonn diplomatic corps, he said, several Warsaw Pact ambassadors had expressed their interest in furthering good bilateral ties with West Germany.

The chancellor gave few details of Mr. Andropov's letter, which he said was delivered Friday, and which, he said, he had not yet answered.

But Mr. Kohl noted that, despite

the Soviet walkout from the talks on medium-range weapons, a session of the Soviet-U.S. negotiations on strategic nuclear arms would be held Tuesday in Geneva while another forum on limiting conventional arms continues in Vienna. He said that a European disarmament conference would open in Stockholm on Jan. 17 and that a Soviet-West German trade commission had a successful meeting this month.

"In a word," Mr. Kohl said, "the bilateral talks and the overall situation strengthen my expectation that the East-West dialogue will continue, bilaterally and multilaterally."

Peter Bornisch, the West German (Continued on Page 7, Col. 1)

Japanese Election Is Set For Dec. 18; Tanaka Bribe Seen as Dominant Issue

By Steve Lohr
New York Times Service

TOKYO — Prime Minister Yasuhiro Nakasone dissolved the lower house of Japan's parliament Monday to clear the way for a general election in mid-December that will be the most significant test of his leadership since he took office last year.

At issue in the Dec. 18 election will be not just 311 seats in the House of Representatives, where the main business of the Diet is conducted, but also political ethics in Japan.

The dissolution of the chamber Monday afternoon, which had been anticipated, was on schedule and went according to ceremony.

The opposition introduced its no-confidence motion. The dissolution edict, signed by Emperor Hirohito, was read. The members on the house floor stood up, raised their hands over their heads and shouted "Banzai!" The rallying cry was repeated three times, and the politicians then filed out, heading for the campaign trail.

By law, elections for the House of Representatives must be held at least every four years, though an election can be called any time before that period runs out.

The previous election was held in June 1980, so the next one could have been put off until June.

"Nakasone is being forced into an election that he does not really want at this time," said Robert Imberman, political counselor of the U.S. Embassy in Tokyo.

Mr. Nakasone wanted to put as much time as possible between Oct. 12 and the election. On that date, former Prime Minister Kakuei Tanaka was found guilty of accepting a bribe equal to \$2.1 million from Lockheed Aircraft Corp. to arrange the purchase of aircraft by a large Japanese airline.

The issue of "political ethics" in Japan is a code phrase for Mr. Tanaka's power. Despite his conviction and sentence of four years in prison, Mr. Tanaka remains free on bail and continues to control the biggest parliamentary faction of the ruling Liberal Democratic Party. He still has considerable say in key political decisions, including who becomes prime minister.

He has retained this power despite repeated demands from opposition parties and adversaries within his own party that he step down from his Diet seat and retire from politics.

Mr. Nakasone has been pressured into holding early elections by the opposition and the faction of the Liberal Democratic Party that supports Mr. Tanaka.

After the verdict against Mr. Tanaka, the opposition boycotted parliament for more than five weeks, delaying action on legislative matters. They returned last week, but only after Mr. Nakasone promised to call an election in December.

For his part, Mr. Tanaka is hoping for his usual lopsided victory in Niigata prefecture, northwest of Tokyo, which has benefited handsomely from Mr. Tanaka's power to bring public works projects to the rural area since it first elected him to parliament in 1947.

Political analysts say the Liberal Democratic Party is almost certain to lose some of the 286 seats it now holds in the House of Representatives. The party was helped in the 1980 election by a sizable sympathy vote after Masayoshi Ohira, who was prime minister, died of a heart attack while campaigning one week before the election.

However, it is considered extremely unlikely that the Liberal Democratic Party, a conservative party that has been in power since 1955, will lose its majority in the House of Representatives by winning fewer than 256 seats. The opposition parties, led by the Japan Socialist Party, are weak.

Officials loyal to Mr. Nakasone have said that if the LDP wins 265 or more seats, it should be considered an indication of broad public support for his stewardship as prime minister.

However, most Japanese political commentators are putting the party's "magic number" at 270 seats. This represents a so-called effective majority, enough to hold a

majority on all 18 permanent committees in the house.

If the majority slips much below this level, the opposition could obstruct the Liberal Democratic Party's aims by holding up legislation in committees.

"Should the ruling party get less than 270 seats, we'll begin hearing plenty of discussion about the post-Nakasone era leading up to the LDP presidential election next year," said one political analyst.

The party elects its president every two years, with the next party balloting coming in the fall of 1984. Because of the party's dominant position in Japanese politics, its president is also the prime minister.



The space shuttle Columbia lifts off at Cape Canaveral.

Shuttle, European Lab Sent on 9-Day Mission

United Press International

CAPE CANAVERAL, Florida — The U.S. space shuttle Columbia was launched into orbit Monday for a nine-day mission with a new Spacelab built in Europe and a record crew of six.

The shuttle streaked past the East Coast as it climbed into space and soared into an orbit 155 miles (250 kilometers) above Earth that was to reach farther north and south than manned U.S. spacecrafts have ever traveled.

John W. Young, the flight commander, making his sixth trip into space and his second aboard the Columbia, after reaching the critical speed of 17,000 mph, surveyed the view and reported: "It's just super up here, just beautiful."

Mr. Young, 53, and his co-pilot, Major Brewster H. Shaw Jr., 38, were at the controls when the shuttle's three main engines and two boosters roared into action at 11 A.M. Robert A. R. Parker, 46, a National Aeronautics and Space Administration scientist, was flight engineer.

On the lower deck were Owen K. Garriott, 53, a NASA scientist, and the first two non-NASA scientists to fly aboard a shuttle — Byron K. Lichtenberg, 35, of the Massachusetts Institute of Technology, and Ulf Merbold, 42, a West German physicist assigned to the mission by the European Space Agency.

Scientific researchers from 13 nations expect important and unprecedented insights from the mission, the ninth for a shuttle but the first for the orbital laboratory.

The ship's first two minutes of flight were spectacular. The solid propellant boosters generated a long plume of orange flame and dirty white smoke as the ship climbed into a high thin overcast. The boosters parachuted into the Atlantic and reportedly were floating normally.

Columbia's three main engines shut down 225 miles off Cape May, New Jersey, and then the ship's external tank tank fell away, as planned, toward the Indian Ocean. "It was superb," said Alfred O'Hara, the launch director, an hour later.

Columbia's two maneuvering

rockets first pushed the ship into a preliminary orbit and fired again 40 minutes later to place the shuttle into orbit.

The mission called for around-the-clock operations. The crew was divided into two teams, which were to follow different work-sleep cycles.

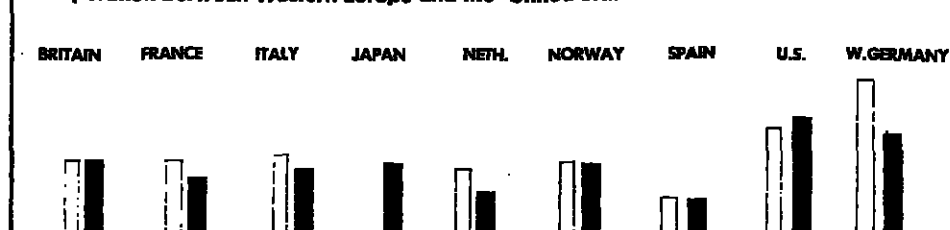
Project officials had kept a wary eye on the weather since the countdown began Saturday morning. The forecast late Sunday anticipated heavy clouds and rain showers at launch time but the front system slowed early Monday.

Spacelab was locked in Columbia's cargo bay and will remain there throughout the mission, giving the ship's scientists access to its 38 scientific instruments.

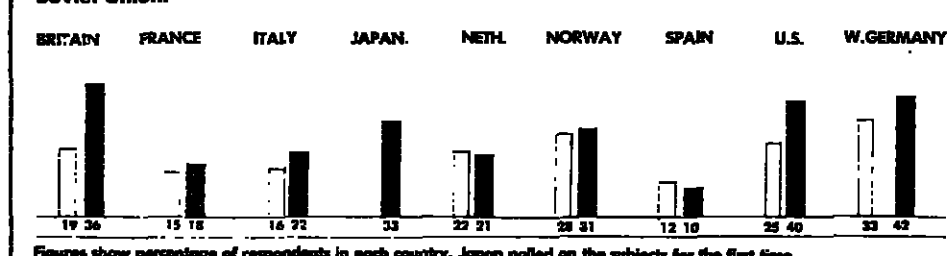
In all, the space researchers plan to conduct 72 experiments over- (Continued on Page 2, Col. 4)

WHAT THE POLL FOUND:

• Fewer people in the industrialized countries believe the security of the West now rests upon cooperation between Western Europe and the United States.



• An increasing number of people would prefer to see greater contacts and dialogue with the Soviet Union.



U.K. Giving Grenada Aid For Public Works, Police

By R.W. Apple Jr.
New York Times Service

LONDON — Britain announced Monday its first steps to aid in the restoration of civil government in Grenada following the U.S.-led invasion of the island Oct. 25.

Responding to questions in the House of Commons, Timothy Raison, the minister for overseas development, disclosed that Prime Minister Margaret Thatcher's government had decided on an immediate grant of more than \$1 million to Grenada.

Although small, it is the first new aid allocation since Prime Minister Maurice Bishop came to power on the island in 1979. Mr. Bishop was slain in a coup Oct. 19.

Further British grants will be considered for next year "in the light of longer-term needs," Mr. Raison said in a written reply.

Some of the money, a spokesman for the ministry said, will go for new power and water equipment and other public works. But a "substantial portion," he said, will be allocated for purchasing equip-

ment for a new Grenadian police force and for helping train it.

According to the spokesman, the governor general of Grenada, Sir Paul Scoon, asked Britain shortly after the invasion for help in establishing the police force. In addition to the grant, the government has sent a Foreign Office police adviser, Brian Graves, to Grenada.

Officials in London insisted, however, that there was no thought of dispatching any sizable British force, either to help U.S. forces train policemen or to form a part of a Commonwealth peacekeeping team to replace American combat troops after their scheduled withdrawal in late December.

Such a team has been under discussion at the current Commonwealth summit in India.

The Commonwealth leaders, who are to end their meeting Tuesday, are believed to favor a team comprised of paramilitary and police forces drawn from the English-speaking Caribbean countries, possibly with some British policemen as advisers.

Although Mrs. Thatcher has said she was "touched" by the views of (Continued on Page 2, Col. 7)



Prime Minister Yitzhak Shamir of Israel speaking before his meeting Monday with President Reagan. Story, Page 2.

A Precarious Harmony Divergent Priorities of U.S. and Israel Could Revive Differences at Summit

By David K. Shipler
New York Times Service

JERUSALEM — The visit of Prime Minister Yitzhak Shamir and Defense Minister Moshe Arens to Washington this week comes at an unusual moment. Rarely in recent years have the explicit, short-term objectives of the United States and Israel overlapped as they do now.

The talks are likely to be conducted in a spirit of accord. But beneath this outward harmony, the tone of relations between Israel and the United States is still set by dissonant attitudes and priorities. To the extent that the talks in Washington reach into the fundamentals of Middle East policy, they can be expected to give new voice to these old disagreements.

The issues are many, and it is not clear how many of them will be addressed in detail by Mr. Shamir and Mr. Arens when they meet with President Ronald Reagan and other high-ranking officials.

The obvious items on the agenda include U.S. aid, U.S.-Israeli coordination in Lebanon, the U.S. force-

nanced Jordanian rapid strike force, the possible role of King Hussein of Jordan in negotiations over the West Bank, and broader questions of "strategic cooperation" between the United States and Israel.

On the surface, the Reagan administration appears to have arrived at an appreciation of Israel as

a "strategic asset" in this volatile region. This is a role that Israel has long sought, partly as a way of justifying the receipt of huge amounts of U.S. aid.

Yet as they approach this goal, Israeli officials recognize that the prize can be a burden, that it may allow Washington to ask them to act on behalf of U.S., not Israeli, interests.

Interviewed Saturday by the Israeli radio, for example, Mr. Shamir used cautious terms to explain his position on "strategic cooperation," a notion contained in a memorandum of understanding that was drawn up several years ago but (Continued on Page 2, Col. 4)

Shamir, in Talks With Reagan, Urges Tighter Economic and Military Ties

The Associated Press
WASHINGTON — Prime Minister Yitzhak Shamir of Israel on Monday proposed to President Ronald Reagan ways to strengthen U.S.-Israeli military and economic ties and ways to counter what both nations say is a Soviet-backed threat in Lebanon.

U.S. and Israeli officials said they expected agreement on closer military cooperation, such as building a U.S. arms depot in Israel and joint military exercises, as a signal to Syria and its Soviet backers that they will not have a free hand in Lebanon.

The discussions follow overtures

to Israel by U.S. officials who have been frustrated by a lack of progress toward an overall Middle East peace agreement or a foreign troop withdrawal from Lebanon.

The United States has begun increasing aid and concessions to Israel, reportedly to try to pressure Syria and attain Israeli flexibility toward other Arab countries regarded as moderate by the United States.

After an initial meeting with Mr. Reagan, Mr. Shamir, who is on his first visit to the United States as prime minister, said he had had "very friendly and good talks" and expressed hope that his three-day visit would "contribute to the deepening and strengthening of the friendly relations."

Also attending the meeting at the White House were Vice President George Bush, Secretary of State George P. Shultz, Defense Secretary Caspar W. Weinberger, Defense Minister Moshe Arens of Israel and Donald H. Rumsfeld, Mr. Reagan's special envoy to the Middle East.

Larry M. Speakes, the deputy White House press secretary, said Mr. Reagan had outlined what the United States considers the major agenda items for meetings with Mr. Shamir and Mr. Arens.

President Amin Gemayel of Lebanon is to arrive in Washington Wednesday to continue top-level talks with U.S. officials.

A senior U.S. official said Syria would have to take into account closer U.S.-Israeli cooperation in deciding its moves in Lebanon.

"The United States and Israel are in close accord for policy regarding Lebanon, and we will continue to work closely for the goals we all seek in Lebanon," Mr. Speakes said.

He said Mr. Reagan "stressed that we will continue to improve our cooperation with Israel while at the same time continuing our relations with moderate Arab states."

He said Mr. Reagan had reiterated to Mr. Shamir that the president's 1982 speech calling for a Palestinian entity under Jordanian supervision on the West Bank remains the major item in U.S. policy in the region.

■ **Gemayel Meets Craxi, Pope**
President Gemayel met with Prime Minister Bettino Craxi on Monday and thanked Italy "for the depths of my heart" for its participation in the multinational peacekeeping force in Beirut, The Associated Press reported from Rome.

Earlier Monday, Mr. Gemayel and Pope John Paul II discussed the Lebanese situation at the Vatican, church officials said.



The crew of the space shuttle Columbia leaving their quarters Monday for the launching pad: From left, Robert A.R. Parker, Brewster H. Shaw Jr., Owen K. Garriott, Ulf Merbold, Byron K. Lichtenberg and John W. Young.

Shuttle, European Lab Sent on 9-Day Mission

(Continued from Page 1)

ing studies of the upper atmosphere, Earth observations, astronomy and solar physics studies, biological sciences, materials processing and investigations of electrified gases from the sun.

James Beggs, the NASA administrator, said Spacelab was the largest international cooperative space project to date and the most ambitious program undertaken in the shuttle flight program, which began with Columbia's initial mission in April 1981.

Spacelab was developed by 10 European nations at a cost of \$1 billion and given to the United States as Western Europe's contribution to the U.S. space transportation system. In return, NASA is

buying a second Spacelab from ESA for \$250 million.

The flight originally was scheduled for Sept. 30 but was delayed until Oct. 28 to give engineers additional time to ready NASA's new tracking and data relay satellite for the task of relaying great amounts of scientific data from Spacelab to Earth.

Two weeks before the launch date, the mission was postponed another month because of a possible problem with one of the ship's booster rocket nozzles. The booster was replaced.

Lebanese accord, signed last May, as an inducement to factions to join a government and to Syria to withdraw its troops. These provisions, involving low-level diplomatic representation and a border open to commerce and tourism, were described by Mr. Shamir as "minimal conditions, not maximal ones."

The Israeli-U.S. differences on that point illuminate the conflicts that underlie vast areas of policy. Israel has never accepted the U.S. effort to use arms sales to cultivate Arab countries that reject a Jewish state. The Israelis are also displeased that the United States is not pressing Cairo to observe its treaty with Israel by returning the Egyptian ambassador, who was withdrawn after the invasion of Lebanon.

Israel also wants the Gemayel government to survive, and possible efforts to help it are on the agenda for the visit. The Lebanese president is to arrive in Washington at the end of the visit.

But Israeli officials are bitter about U.S. advice to Mr. Gemayel to avoid casting his lot with Israel, lest he lose the vital connections with the Arab world upon which his country depends for trade and banking business.

The Israeli radio, quoting Israeli officials, reported Sunday that the United States will seek to cancel the political elements of the Israeli-

Lebanese accord, signed last May, as an inducement to factions to join a government and to Syria to withdraw its troops. These provisions, involving low-level diplomatic representation and a border open to commerce and tourism, were described by Mr. Shamir as "minimal conditions, not maximal ones."

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Walesa Plans Major Speech At Memorial

Protest Actions Predicted Over Food-Price Boosts

The Associated Press

WARSAW — Lech Walesa, the Solidarity leader, disclosed plans Monday to speak publicly in Gdansk next month, and an underground militant of the banned trade union predicted that planned increases in food prices in January will cause strikes.

Mr. Walesa, who has joined an underground call for struggle against the price increases, told the mayor of Gdansk, General Mieczyslaw Cygan, in a letter Sunday that he intends to lay flowers and speak at a Solidarity monument outside the Lenin shipyard on Dec. 16, the 13th anniversary of the killing of scores of striking workers nearby.

"I deeply believe that the placing of the flowers will be peaceful and calm, and hope that nobody will disturb the solemnity of that moment and place," Mr. Walesa said in the letter, read by telephone from his apartment by a secretary.

He said he would appear at the memorial during the mid-afternoon shift change, when thousands of workers pour out of the shipyard, birthplace of Solidarity in August 1980. The Communist authorities have prevented Mr. Walesa from speaking there since his release from an 11-month martial law internment in November 1982.

Mr. Walesa announced after he won the Nobel Peace Prize on Oct. 5 that he would outline his future policy in a speech at the monument Dec. 16, although his letter to the mayor said only that he would "present my opinion of the 13th anniversary."

Meanwhile, in a clandestine interview dated Friday and handed to Western correspondents on Monday, a Solidarity underground leader, Zbigniew Bujak, predicted "major protest actions, including strikes," against the food-price increases, which the government says will raise the average cost of living by 7 percent.

WORLD BRIEFS

Toll in Madrid Jet Crash Is Set at 185

MEJORADA DEL CAMPO, Spain (UPI) — An investigation was continuing Monday into the crash early Sunday of an Avianca Airlines Boeing 747 that killed 185 of the 196 persons on board. The Colombian airline originally said 183 had died in the crash near Madrid's Barajas Airport.

Doctors said all 11 survivors were out of danger. One survivor, Patrick Negers, 29, a Frenchman, said the plane, which was on a Paris-to-Bogota flight, appeared to be headed for a normal landing when an engine on the right wing caught fire. He said passengers then felt a jolt, and added, "That's when everything blew up." His wife and two young children also survived.

Authorities said the plane apparently grazed one hill, bounced, hit another, then flipped over and crashed into a third hill. Aviation officials said a fire in one engine would not alone have prevented the plane from landing safely, and they were seeking clues in information provided by the plane's in-flight recorder, which was recovered Sunday.

Swedes Find More Computer Gear

STOCKHOLM (Reuters) — Swedish customs have found two more consignments of computer equipment, apparently connected with goods that the United States said were being smuggled to the Soviet Union, a customs official said Monday.

Björn Eriksson, director-general of the customs authority, said that his officials were examining software for data-processors which arrived in Stockholm last week. He said that the equipment seemed to be connected with that which is being held up for examination in Helsingborg, but that it was too early to decide how it should be classified.

The United States has said that the equipment in Helsingborg consisted of components for a highly advanced computer capable of guiding missile systems.

Marseilles Police Question Racketeer

MARSEILLES (AP) — Police on Monday were questioning Gaetan Zampa, who is often described as the chief of the crime organization that controls much of the protection and loan sharking rackets in this Mediterranean port.

Mr. Zampa, 50, was arrested Sunday at a camp site outside Marseilles. He had been the object since last month of an international warrant in connection with a major investigation of his financial activities. His criminal record dates to 1969 but he has never served a long prison sentence.

Police believe he is behind many of the killings linked to racketeering in Marseilles in recent months. They claim that he had tried to laminate proceeds from illegal activities by investing in movies, racing, real estate and by buying up many of the city's nightclubs. His wife and 21 other associates were arrested and dozens of documents were seized in a police raid Oct. 19.

Palestinians Told to Return to Camps

TRIPOLI, Lebanon (UPI) — Arab mediators told Yasser Arafat's followers and their Syrian-backed Palestinian opponents Monday to leave Tripoli and return to their refugee camps.

Damascus Radio said Rashid Karami, a former Lebanese prime minister, announced plans for the dispersal of the warring Palestinian Liberation Organization factions after long meetings in the Syrian capital with Tripoli officials.

Mr. Karami did not mention Mr. Arafat's fate or his destination. Nor was there an immediate response from the PLO leader or the rebels to the plan, part of a Syrian-Saudi cease-fire agreement reached last week.

Monday's move apparently followed an "urgent message" from King Fahd of Saudi Arabia to Syrian officials, Beirut Radio said.

EC Aides Fail to Agree on Reforms

BRUSSELS (AP) — Senior European Community representatives, strongly defending national interests, failed to agree Monday on major economic questions in preparation for a summit meeting starting Sunday in Athens.

The foreign and finance ministers planned to finish up their preliminary talks Tuesday with a final report to present to the summit, which will involve heads of government. It will contain a list of the major problems and how each country feels they should be solved.

An EC official said Monday's talks were "just a juxtaposition of long-held positions with no progress." Among the issues are limits on the EC agricultural budget and a redistribution of the financial burden borne by each of the 10 countries.

Dutch Postal Strike Ends, Others Begin

AMSTERDAM (Reuters) — Dutch postal workers were attempting Monday to clear a backlog of mail after ending a three-week strike over government plans to reduce public-sector wages.

As they returned to work, stoppages began in some telecommunication centers. The northern part of the Netherlands was affected Monday by a 24-hour train strike.

The postmen were ordered Friday by a Hague court to end their strike, which began Nov. 7 in a protest against government plans for a 3-percent cut in public-sector pay next year and further wage reductions in 1985 and 1986. The government has won support in parliament for its plans and appears certain to win parliamentary approval in a vote next month.

For the Record

Richard von Weizsäcker, 63, the mayor of West Berlin, was formally nominated Monday by Chancellor Helmut Kohl to succeed Karl Carstens as president of West Germany in May. His election to the largely ceremonial post is considered assured. (AP)

Viktor Korchnoi, a Soviet defector, maintained a lead of one point over Gary Kasparov of the Soviet Union on Monday after a draw in the fourth game of their world chess championship semifinal series in London. Mr. Korchnoi now leads the 12-game series by 2½ to 1½. (Reuters)

In Chad, the factions in the civil war have agreed to meet in Addis Ababa, Ethiopia, headquarters of the Organization of African Unity, next month to work out a peace settlement, the Middle East News Agency reported Monday from Khartoum, Sudan. (UPI)

U.K. Giving Grenada Funds For Public Works and Police

(Continued from Page 1)

some Caribbean leaders who supported the invasion, senior government associates cautioned against any premature conclusion that she has softened her belief that it was unwise.

She still maintains, they said, that President Ronald Reagan's action violated international law. Nevertheless, she has insisted that there must be no public condemnation of the invasion and has persuaded officials from southern

Africa, who were highly critical of the invasion, that the emphasis must now be placed on a return to normalcy on the island.

Mr. Thatcher's stand has split her Conservative Party, with many senior legislators arguing that Britain should have supported Reagan as he sought to recapture the Falkland Islands after the Argentine invasion in the spring of 1982.

She has argued that the two cases are not comparable because Grenada is independent and the Falklands, called the Malvinas by Argentina, are British.

One of Mr. Thatcher's main arguments against the invasion was her belief that it would make it more difficult to rally support for the deployment of U.S. cruise missiles in Britain.

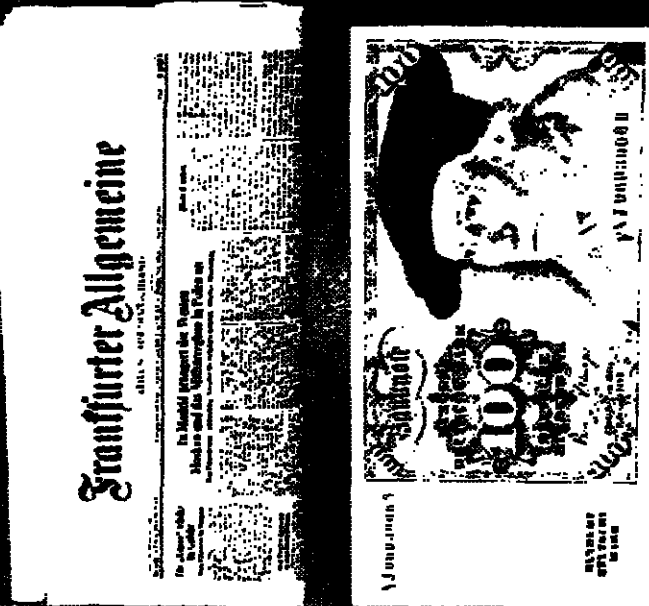
The first shipment of the missiles has arrived at the Greenham Common air base, west of London, but their presence is opposed, according to opinion polls, by a majority of the British people.

Halt to Ivory Shipments Asked

United Press International

GLAND, Switzerland — The World Wildlife Fund called on Sweden, the Belgian national airline, on Monday to stop transporting ivory from Burundi to Belgium. The fund said that the ivory traffic was estimated to involve the deaths of about 2,500 elephants a year in Zaire and Tanzania and that continued shipments would "tamish the reputation of both Belgium and Sweden."

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Hundreds of thousands of Uruguayans chanted anti-government slogans and waved banners at a Montevideo rally at which they demanded an end to 10 years of military rule and the scheduling of elections next year.

Uruguayans, at Mass Rally, Demand Elections in 1984

UNITED PRESS INTERNATIONAL
MONTVIDEO — An estimated 400,000 people, more than 10 percent of Uruguay's population, put aside party differences for a mass rally to press their demands that the military government hold elections next year.

The crowd gathered Sunday in central Montevideo to hear a reading of a manifesto calling for elections on the fourth Sunday of next November. The rally was the first since 1938 in which the two main centrist political parties, the Blanco and Colorado, joined with leftist, conservative and center-left parties in a combined demonstration.

It also was one of the rare gatherings to receive a permit from the government. General Hinge Medina, commander of the Third Army, said Saturday that he considered the demonstration positive.

Medium Cities 'Star Wars' Defense Plans Expected In U.S. Fight To Get Reagan Approval at Meeting

By Gerald M. Boyd
New York Times Service

WASHINGTON — A congressional study has found that medium-sized cities and towns are increasingly struggling with budget deficits, as the largest cities have done.

The report, made public Sunday by the Joint Economic Committee of Congress, attributed the deficits to rising expenditures, declining U.S. aid and losses in revenue caused by the recession.

The study, based on a survey of 321 cities, estimated that two-thirds of the country's cities may face deficits by the end of the year. That would be a 21-percent increase over last year.

The survey suggests that "a new group of fiscally troubled cities is emerging." Medium-size cities, with populations from 50,000 to 99,999, represent the highest proportion of, and the largest increase in, those experiencing deficit problems, the report said.

Of the 67 medium-size cities that responded to the survey, about 47 percent had operating deficits last year. This was a 36-percent increase, the report said.

In previous years, the largest proportion of cities with operating deficits were those with populations of 250,000 or more.

Expenditures in cities of all sizes rose 8 percent in 1982, exceeding the average increase in revenue as well as the rate of inflation in prices that states and localities pay.

At the same time, U.S. aid continued to decline, dropping to 7 percent of revenue from 8.3 percent a year earlier. The report estimated that would decline to 6.5 percent by the end of this year.

By Patrick E. Tyler
Washington Post Service

WASHINGTON — President Ronald Reagan is scheduled to meet Wednesday with his national security advisers to make the first in a series of decisions on whether to try to develop and test high-technology weapons, some of them based in space, that would be capable of repelling a nuclear attack on the United States or Europe, according to a senior administration official.

The official said Mr. Reagan's senior advisers believe the president intends to take the first step toward developing the weapons, an idea he first espoused last March.

The deployment of a large-scale defense against ballistic missiles would be a dramatic departure from the strategic relationship between the United States and the Soviet Union, which is based on deterring attack by maintaining balanced offensive arsenals. The 1972 anti-ballistic missile treaty between the two nations limits each side to defending one site with ABMs.

The decision to develop the so-called "Star Wars" technology would also occur at a time of high tensions over U.S. deployment of medium-range nuclear missiles in Western Europe.

According to the senior administration official, Mr. Reagan tentatively concluded last spring, after a detailed review of plans to modernize U.S. strategic forces, that technology in coming decades will render U.S. missiles, bombers and submarines more vulnerable.

"The president has realized that maintaining an adequate deterrent was becoming more and more difficult," said the official, who spoke on the condition that he not be identified. "What the president wants is to leave a legacy where a better family of choices will be available to his successors."

The official said the president believes that by pursuing the development of defensive weapons, the United States would gain leverage in arms reduction negotiations. He said the president has emphasized coupling each step of the ballistic missile defense program to the arms control process.

In addition, he said there is a consensus in the Reagan administration that the Russians are undertaking a long-term program to develop defensive weapons.

"We have no evidence that they are about to put up a system that is going to change the balance of power," he said. "But on the other hand we believe that if we do nothing, they will achieve that. What we are proposing to do is join the same race. And we think we can probably win."

Mr. Reagan announced in March that he was mobilizing the scientific community "to define a long-term research and development program to begin to achieve our ultimate goal of eliminating the threat posed by strategic nuclear missiles."

A scientific panel headed by James C. Fletcher, a former director of the National Aeronautics and Space Administration, spent five months evaluating technologies that might be used for ballistic missile defense. It produced an eight-volume classified report for the National Security Council.

Meanwhile, a recommendation that the president proceed with his plans was sent to him Oct. 18 from a senior interagency group that included Paul W. Thayer, deputy defense secretary; Kenneth W. Dam, deputy secretary of state; John McMahon, deputy director of central intelligence; George A. Keyworth 2d, the president's science adviser; and James M. Beggs, the NASA administrator.

The senior administration official predicted that Mr. Reagan's decision at a meeting Wednesday of the National Security Council will trigger a refocused Pentagon research program aimed at demonstrating within five years new weapons capable of shooting down Soviet missiles.

The program would also set goals for developing high-speed battle-management computers for outer space, space-based infrared sensors for missile detection, laser pointing and tracking technology capable of making beam weapons accurate against targets a continent away, and "deformable mirrors" that will prevent laser beams from breaking down when fired through the atmosphere.

The research and development is not expected to cost a great deal in the early years, the official said. However, administration officials have estimated that deployment of a system designed to stop thousands of incoming Soviet warheads would cost hundreds of billions of dollars.

Critics fear that a push into defensive technologies would accelerate the arms race and that the Russians might be able to develop countermeasures that would foil the new U.S. technology.

The Fletcher study did little to allay these fears, the official said. The panel concluded that the Russians will respond to a U.S. defensive effort by redoubling efforts to improve offensive weapons.

Pressure Grows in U.S. For Reporters' Sources

By Jonathan Friendly
New York Times Service

NEW YORK — Prosecutors and criminal defendants are increasingly demanding and sometimes obtaining the names of confidential informants who lead journalists to news stories.

Lawyers who represent the press say trial court judges have acceded to these demands despite state laws enacted specifically in the past decade to shield reporters and their confidential sources. News organizations have been fined and reporters have received jail sentences for defying the court orders.

Decisions against the press in recent months include these:

• A New York appellate court ordered a Schenectady television reporter to tell a grand jury who had disclosed to him that a grand jury had recommended removing a sheriff. A second grand jury is investigating whether the disclosure to the reporter was itself a crime.

• The Idaho Supreme Court upheld the jailing of a reporter and a fine against her newspaper for refusing to help a husband find his child, reported kidnapped. The reporter had interviewed the man's estranged wife, who had fled with the child.

• Maryland's highest court ordered a reporter for The Washington Post to testify about prisoners in a suburban jail who had told her they had been sexually attacked and to be a witness against inmates who admitted such attacks to her. Her articles about the jail won a Pulitzer Prize.

want Miss Tofani to appear as a prosecution witness to confirm that the inmates told her of their participation in rapes.

The Post contends that sexual abuse in jail was well-known and that if the prosecutors were really interested in improving jail conditions they could easily develop a number of cases without infringing on press privileges.

The court said Maryland's shield law was supposed to protect reporters from having to identify confidential sources and that the inmates who had allowed Miss Tofani to use their names had waived any right to confidentiality.

The case in the Idaho Supreme Court raised a somewhat similar problem when the reporter, Ellen Marks, would not talk to a prosecutor about her interview with a woman, estranged from her husband, who had "kidnapped" her own child. The press argues that it is particularly important to present the suspect's views in such "victimless" crimes.

Unlike Maryland, Idaho does not have a shield law, and its courts have not recognized any special standing for reporters. The Idaho court said it was more important to try to execute the arrest warrant for the mother than to protect Miss Marks's sources, who led her to the woman. Miss Marks was jailed for several hours and her newspaper, The Idaho Statesman in Boise, was fined \$35,000. She was released on bail while the case was appealed. Her testimony was ruled moot when a private detective found the mother and child for the husband.

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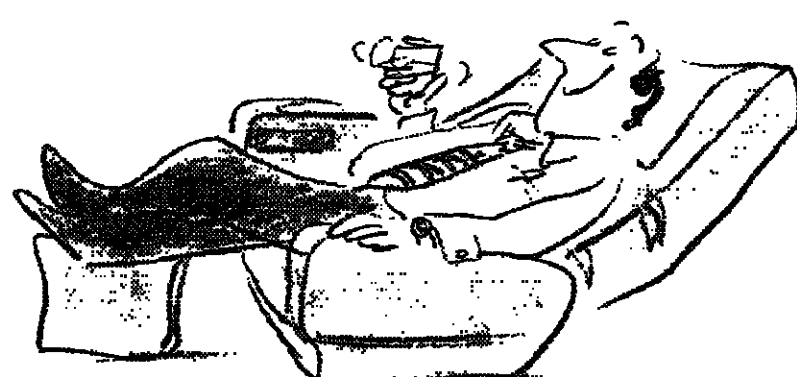
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4 British Papers That Fired Printers Receive Pledges, Resume Publication

The Associated Press
LONDON — Four of six national British newspapers that had fired their printers were back on the streets Monday night, three days after a printers' strike shut down Fleet Street. But owners of two other dailies said they would not publish again until the printers promised to work normally.

The printers walked off their jobs Friday over a dispute involving the firing of six workers at a small plant in northwest England 22 weeks ago. Six national papers responded by declaring their print-

ers in breach of contract and firing them Sunday night.
The six dailies — The Times, the Daily Star, the Daily Express, the Daily Mirror, Sporting Life and the Sun, with circulations totaling 11.3 million — said they would hire their printers back if they pledged not to walk out again over the dispute with the Messenger Newspaper Group in Warrington.

No such assurance was forthcoming from the union Monday, said News International, which publishes The Sun and The Times. But the Daily Star, the Daily Ex-

press, the Daily Mirror and Sporting Life said they had received enough of an assurance to resume publication.
Publishers of the Daily Mail, the Daily Telegraph, the Financial Times and The Guardian, with circulations totaling 3.7 million, did not fire their printers and published on Monday.
(Printing of the Herald Tribune at Harlow, near London, has not been affected by the dispute, although distribution of the paper in parts of Britain and Ireland has been disrupted. Distribution in the English provinces and Ireland is handled jointly with other newspapers, and the special planes and trains have been canceled since Saturday.)

The dispute began when the Messenger group fired six printers who had walked out to protest the use of nonunion labor. The union based in hundreds of members from other plants to picket the company.

The chairman of the group, Selim Shah, 39, took the union to court for violation of the 1982 Employment Act, which outlaws picketing by workers except at their own places of employment and makes unions liable for damages for illegal strikes and picketing. When a court fined the union and ordered its assets seized, the Fleet Street printers walked out Friday in protest.

Scientists Say a Cleanup Could Make Bikini Atoll Habitable

By Walter Pincus
Washington Post Service

WASHINGTON — Almost three decades after a U.S. hydrogen bomb test caused extensive radioactive contamination of Bikini Island, a team of scientists has determined that the tiny Pacific atoll of which it is a part could be made habitable again if the U.S. government would undertake a \$100-million cleanup program.

A report issued Sunday by the Bikini Atoll Rehabilitation Committee said that the island would remain uninhabitable for a century if no measures were taken to remove or neutralize the radioactive contaminants in the soil so that food grown there could be consumed safely.

The islanders hope to use the findings of the committee, which was chaired by Dr. Henry I. Koh, professor emeritus of radiation biology at Harvard Medical School,

to persuade Congress to appropriate funds to clean up the island.

In the past, the Reagan administration has expressed its opposition to a cleanup program for Bikini. A similar program, which cost \$120 million, was undertaken during the Carter administration for the Eniwetok atoll, the other Marshall Islands site of U.S. nuclear tests.

Bikini residents were forced to leave in 1946 when their atoll, which as part of the Marshall Islands was administered as a U.S. trust territory, was chosen as the site of nuclear testing.

"If the Bikinians eat no local produce, resettlement might be permitted today or within a few years," the report said. In 100 years, it added, decay of the radioactive material "will permit unrestricted resettlement."

The report noted that plants absorb ra-

dioactive cesium-137 left on the ground by atomic blasts and concentrate it in their fruits. This is particularly the case with coconuts.

The scientists proposed either replacing the soil to a depth of 16 inches (41 centimeters), or placing at least 15 inches of fresh soil on top of the contaminated soil. They said a cleanup program would take two to four years.

Without a cleanup, the study said, human residents would face "a small increase in the lifetime risk of cancer, if sufficient island-grown food is eaten over one or more decades."

The study found that Bikinians could safely eat marine foods and drink rain water.

Bikini Island is part of an island chain where 23 U.S. nuclear tests were held between 1946 and 1958. Only one explosion,

a 15-megaton blast on a nearby island in 1954, directly showered radioactive fallout on Bikini.

The fallout from that explosion unexpectedly spread out in a long, cigar-shaped pattern that eventually reached other atolls in the Marshall Islands.

The original 167 native Bikinians were evacuated by the United States before the first test blast in 1946 and most eventually settled on Kili, a tiny island 434 miles to the south. They and their descendants now number about 1,100.

In 1968, the Atomic Energy Commission declared the atoll and its islands safe for resettlement, and over the next five years Bikinians began to return.

But in 1978, examination of these settlers showed that they were contaminated with radioactive material from eating contaminated fruits, and they were evacuated.

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HILTON INTERNATIONAL

U.S. Judge Gives Rapists Choice Between Prison, Castration

By William E. Schmidt
New York Times Service

ANDERSON, South Carolina

A sentence for rape that gave three men a choice between surgical castration and 30 years in prison has become the focus of an emotional debate here.

The defense said it would appeal the sentence, pronounced recently after the men pleaded guilty to raping and torturing a woman in this textile-manufacturing town of 28,000 in western South Carolina.

The decision by Judge C. Victor

Pyle Jr. in Circuit Court to stipulate surgical castration stunned observers, including the county prosecutor, who said he thought Judge Pyle was only "kidding" when he mentioned that he was considering castration as an option.

Legal scholars say the sentence is the first of its kind in memory. Judge Pyle has been praised by advocates of law and order, and his chambers have been flooded with letters, calls and telegrams.

Civil libertarians and some feminists have condemned the sentence,

arguing that it is barbaric, probably unconstitutional and perhaps not even effective in preventing further rapes. It might still be possible for the men to have sexual relations, they said, even after their testicles are removed.

"The idea of castrating rapists does have a certain emotional appeal, and I know a lot of rape victims approve," said Joy Bennett, executive director of the Rape Crisis Center in nearby Greenville. "But the fact is that rape is a crime of violence, not of sex. I'm afraid to

have men like this out on the street. In fact, there is the potential that they are going to be even more dangerous after they are castrated."

Judge Pyle's decision has also focused attention on a debate among legal scholars, physicians and others as to whether there are useful alternatives to imprisonment for men found guilty of rape or other sexual crimes.

In the past year, interest has grown in administering female hormones such as Depo-Provera to control and diminish the sexual drive of men who have a history of sexual abuse. Some have likened the process to chemical castration.

Last summer, after his conviction on two rape charges in San Antonio, Texas, Joseph Frank Smith, 30, became the first person actually sentenced to receive the injections, as a condition of a 10-year period of probation.

Although the sentence imposed in South Carolina stipulated surgical castration, Judge Pyle said later that he might be willing to consider chemical castration.

Theo Mitchell, a defense attorney, said he was shocked by the sentence. He said that although he did not want to raise race as an issue, it was not uncommon in the antebellum South to castrate black male slaves. All three defendants are black and so is their victim.

Judge Pyle is white.

The three men, Roscoe James Brown, 27, Mark Vaughn, 21, and Michael Braxton, 19, pleaded

guilty to raping the 23-year-old woman in April at a motel. According to court documents, she was assaulted repeatedly for six hours and burned with a cigarette lighter. She lost four pints (almost two liters) of blood and was hospitalized for five days.

It is not yet clear what the defendants' choices will be. At sentencing, they said they were seriously considering accepting the castration, which would free them, although they would remain on probation for five years.

At Johns Hopkins University Hospital in Baltimore, about 150 men convicted of sexual charges have consented to injections of Depo-Provera as part of court-ordered programs of therapy and counseling to help control their sexual drive. The hormone decreases production of testosterone, the male sexual hormone.

Physicians say neither the drug treatment nor surgical castration would make the men unable to have sexual relations at some later point. Testosterone injections could restore some ability to have sex.

But surgical castration would eliminate the ability to have children. "It comes down to 30 years in jail or the rest of your life without children," Mr. Brown said last week.

Some legal scholars said they were more impressed by Judge Pyle's allowing a felon to go free after agreeing to castration or some other physical mutilation as an alternative to imprisonment.

"I imagine there are a lot of criminals out there who, given the choice, would prefer to have their left arm cut off rather than spend the rest of their life in prison," said Alan M. Dershowitz, a criminal law specialist at Harvard Law School. "There would be a lot of very dangerous one-armed men walking around free."

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Lotte Eisner, 87, Film Historian And Critic, Dies

International Herald Tribune

PARIS — Lotte Eisner, 87, film critic and historian and a longtime colleague of the late Henri Langlois, the founder and guiding genius of the Cinémathèque, the French national film library, died Friday in Paris.

Born in Berlin to a wealthy family, Miss Eisner earned a degree in art history. She was film critic for Berlin's Film-Kurier when the Nazis came to power. "I knew they were out to get me," she said in an interview with the International Herald Tribune earlier this year. "They had written in their newspaper, 'That Bolshevik Jew, Eisner, when the heads roll, this head will be the first to roll.'" She took the night train to Paris.

There, after eluding an existence ghost-writing and doing translations, she became an associate of Langlois in his monumental work of hunting down, preserving and screening old films. Interrupted during the war as a foreign Jew, she escaped and lived a day-to-day existence under an assumed name.

After the Liberation in 1945, she was officially named curator of the Cinémathèque. She wrote "L'Ecran demoniaque" (The Haunted Screen) about German films of the 1920s on the fantastic and supernatural, and books about two German film directors of international renown, Fritz Lang and F.W. Murnau.

On return trips to Germany after the war, she became an ardent supporter of such new directors as Werner Herzog, Rainer Werner Fassbinder and Wim Wenders.

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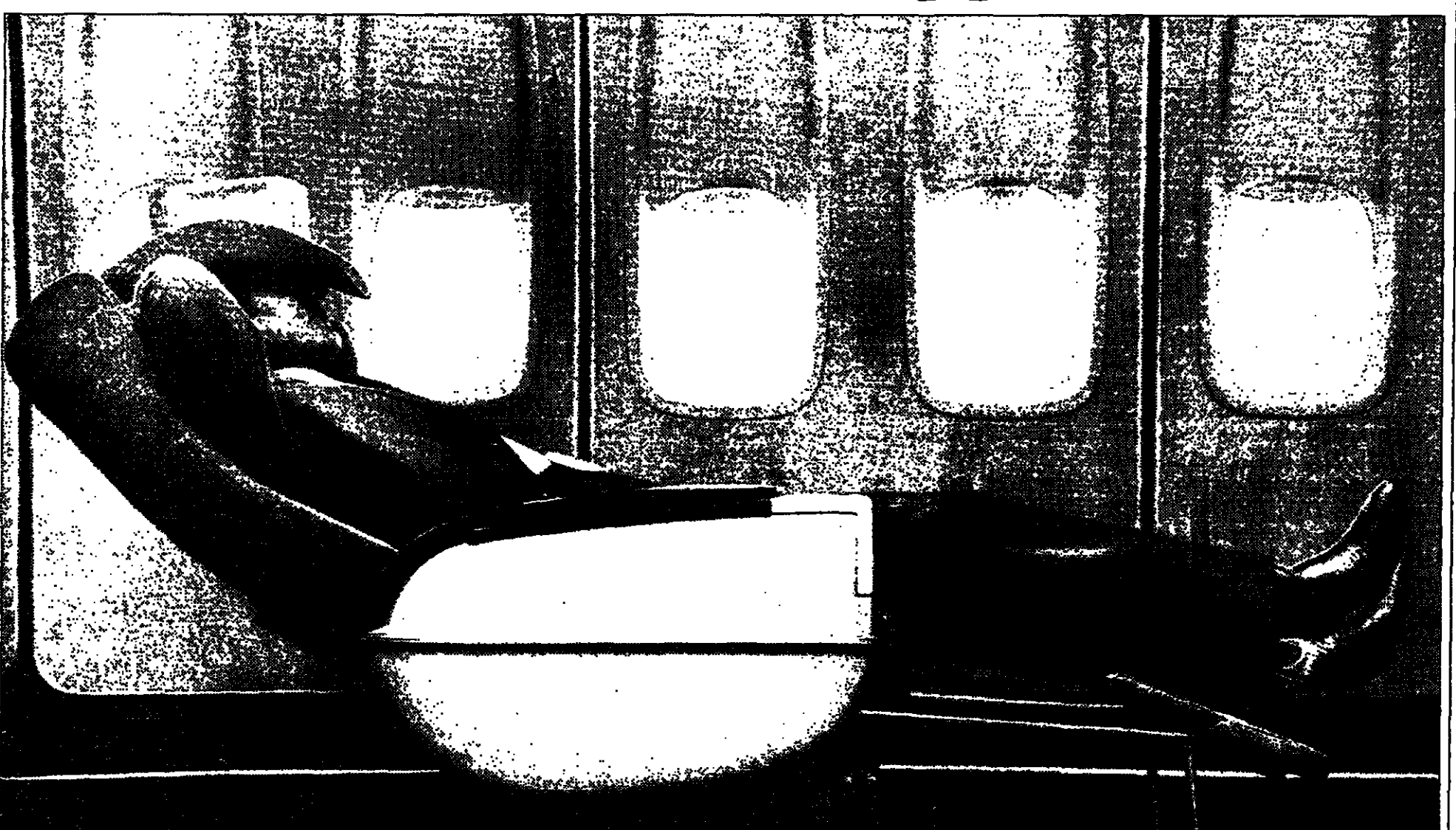
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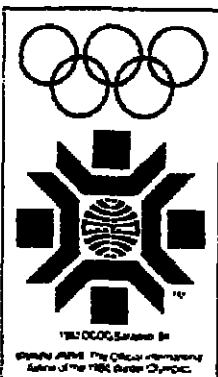
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Philippine riot police carrying clubs and shields corner three young men who were suspected of throwing homemade bombs at them during a night of riots in Manila.

General Strike Call in Philippines Draws Little Response

Washington Post Service
MANILA — A one-day general strike called by opponents of President Ferdinand E. Marcos failed to take hold Monday in what was seen as a setback for anti-government forces. Most stores, offices and banks remained open, transportation was normal and many people came to work as usual, even in the Makati business district, a center of opposition activity. On Sunday, there were violent incidents during opposition rallies, and the turnouts were short.

Commonwealth to Increase Pressure On U.S., South Africa Over Namibia

By William Claiborne

Washington Post Service
NEW DELHI — Leaders of the Commonwealth nations agreed Monday to step up diplomatic pressure on the United States and South Africa to abandon their demands for withdrawal of Cuban troops from Angola as a prerequisite for the independence of South-West Africa, which is also known as Namibia.

In a closed-door debate on the sixth day of the Commonwealth meeting here, the leaders agreed that the two-year-old effort by a group of five Western nations to resolve the Namibia issue had become stale.

Leaders here suggested that the five-nation group directly approach the Reagan administration in an effort to change its policy on the question of Namibian independence from South Africa, conference officials said. The contact group comprises the United States, Britain, Canada, West Germany and France.

A Commonwealth spokeswoman, Patsy Robertson, said the member nations rejected any form of linkage between Namibian independence and withdrawal from Angola of the approximately 20,000 Cuban troops there.

She said that Monday's debate was marked by "sadness, puzzlement and a certain amount of dismay" over a U.S. policy "based on misconceptions of the real principles at stake, deriving from its total preoccupation with East-West tensions."

Sources said that a final Commonwealth communiqué to be issued Tuesday is expected to condemn South Africa for allegedly destabilizing neighboring countries and for its racist policies. However, conference officials said there was no direct call for breaking off diplomatic ties with South Africa.

Conference sources said that Prime Minister Margaret Thatcher of Britain told the delegates that merely denouncing linkage would not accomplish anything, but that constructive efforts were needed. Meanwhile, President Spyrros

Kyprianou of Cyprus called the recent Turkish Cypriot declaration of independence a "terrible precedent for all the small countries of the world." He welcomed a Commonwealth decision to form a five-nation group to resolve the crisis. The group is to seek to implement a United Nations Security Council resolution calling for nonrecognition of the new state and a reversal of the independence declaration.

Also Monday, the Commonwealth leaders established an eight-member group to promote an international conference to restructure world monetary institutions.

"We share a common belief that

the Bretton Woods institutions need to be restructured and better equipped to help cope with the full magnitude of the global crisis," said a communiqué. "These institutions need the resources and operational flexibility to meet the changing requirements of the international economy."

The reference was to the International Monetary Fund and the World Bank, which were created after a 1944 conference in Bretton Woods, New Hampshire.

The study group will submit its report to Commonwealth finance ministers when they meet next September in Toronto.

53 Are Killed in Nigeria As Airliner Crashes in Fog

The Associated Press

LAGOS — A Nigerian Airways F-28 jetliner with 74 persons aboard crashed in fog Monday near a southern Nigerian airport, killing 53, the Nigerian News Agency reported.

There were 18 known survivors. All but one of them, a Briton, were injured, and rescue workers were searching for three persons missing at the crash site, about two miles (3.2 kilometers) from Enugu airport, 300 miles east of Lagos, where the flight originated.

"I first managed to get some fresh air from the window before a desperate but successful bid for safety," said Andrew Winhurst, the Briton who was not injured.

The Lagos-based businessman quoted the pilot of the Fokker twin-jet as announcing to passengers shortly before the crash that

there was poor visibility because of fog.

In earlier reports said the plane caught fire in fog before the crash. Many of the bodies were burned beyond recognition, the agency dispatch from Enugu said.

The aircraft, which has a maximum capacity of 85 persons, was on an early morning flight from Lagos, the Nigerian capital, to Enugu, capital of Anambra state in southern Nigeria.

The Nigerian Broadcasting Corp. said its reporter saw 53 burned bodies scattered over a farm where the crash occurred.

The reporter said the plane was reduced to ashes and chunks of burning metal, thrown over a wide area. He said government and airline officials searched the site for government documents believed to have been on the plane.



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Curfew Is Reimposed in Bangladesh

By William Claiborne

Washington Post Service
NEW DELHI — The military ruler of Bangladesh, Lieutenant General Hussain Muhammad Ershad, imposed a curfew Monday on the capital of Dhaka and suspended his two-week-old relaxation of martial law regulations banning political activity following battles between security forces and 25,000 opposition demonstrators, the state radio said.

General Ershad, in an unscheduled radio broadcast, announced that strikes, demonstrations and political meetings are banned throughout Bangladesh and that the 3 P.M.-to-5 A.M. curfew will be enforced until further notice.

According to news agency reports from Dhaka, the opposition demonstrators tried to break through a cordon of police surrounding the martial law secretariat in the capital and that, when police failed to disperse the crowd

with a baton charge and tear gas, army troops were called in.

In his radio broadcast, General Ershad referred to "widespread violence" in which 15 vehicles parked in front of the secretariat were burned and some martial law administration employees were man-handled. There was no immediate confirmation of agency reports that four persons were killed and more than 500 injured in the clashes.

General Ershad accused opposition leaders of instigating strikes by industrial and government workers and said that the political parties had sought to undermine his attempts to restore democratically elected government to Bangladesh.

On Nov. 14, General Ershad, who seized power in a bloodless coup in March 1982, unexpectedly announced that presidential elections would be held next May and parliamentary elections would be held the following November.

At the same time, he relaxed

martial law regulations in effect for the last 19 months, lifting all restrictions on political activity but warning that he would not tolerate violence if the opposition took advantage of his "lenient" policy.

Bangladesh's two main opposition alliances, a 15-party union headed by the Awami League and a seven-party combine headed by opposition leader Khalida Zia, immediately rejected General Ershad's proposal and demanded that parliamentary elections be held before the presidential poll. The groups also demanded immediate release of all political prisoners.

The opposition groups said they planned to go ahead with plans to form a human chain around the sprawling martial law headquarters Monday and prevent the military government from functioning.

General Ershad abruptly left a meeting of Commonwealth heads of government here Saturday and returned to Dhaka, giving no explanation at the time.

U.S. Court Will Review Right to Ban Cuba Visits

The Associated Press

WASHINGTON — The Supreme Court said Monday it would consider letting the administration curtail travel to Cuba by U.S. citizens.

The justices will review a federal appeals court ruling that the administration's attempt last year to limit opportunities for Americans to visit Cuba was illegal.

Herald Tribune

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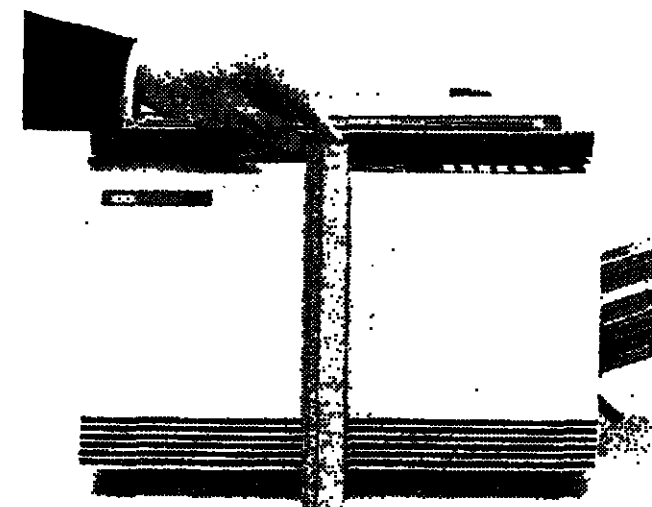
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West German Confidence in U.S. Cooperation Falls Sharply, Poll Shows

By Charles Mitchellmore
International Herald Tribune

PARIS — West Germans, more than any others polled in the latest survey of industrialized nations, appear to have lost confidence in trans-Atlantic cooperation as the key to Western security.

One year ago, when the same question was asked in eight of the nine nations polled this autumn, West Germans ranked effective cooperation between Europe and the United States at the top of their list; with a 53 percent response to that option, they considered it more

important than did respondents in any other country surveyed.

In October, when the latest poll was taken, that item had dropped by 19 percentage points in West Germany to third place — behind continued dialogue and contacts with the Soviet Union (42 percent, up 11 points) and productive arms control talks (36 percent, no change).

Although there were slight differences in response according to party affiliation, confidence in cooperation with the United States dropped by 12 points among Social Democrats and 24 points among Christian Democrats and Christian Socialists. The leap in importance of

contacts with the Soviet Union was also registered across party lines, but it was most startling among CDU-CSU partisans — up 12 points over 1982 — compared with a 7-point increase among Social Democrats.

A similar trend, although not so pronounced, was noted in two other countries polled where U.S. missiles are to be deployed — Italy and the Netherlands. In Japan, where there was no comparable poll a year ago, continued contacts with the Soviet Union (33 percent) were clearly preferred over all other options.

In the United States, there were upward swings in the current poll in every area —

another indication of the heightened sense of concern found in this survey's opening question on what worries people today. But among Americans, as among Britons, the greatest leaps in this autumn's poll on ways of achieving security were to productive arms control talks (39 percent, up 18 points from 1982) and continued dialogue with the Soviet Union. At 40 percent (up 15 points), contacts with Moscow were rated by Americans as equal to U.S.-European cooperation.

Almost as striking as the swing in opinion on military issues for Theo Loch, a Westdeutscher Rundfunk commentator, was the decline in

Western European economic unity as a means to Western security. In the latest poll, 21 percent of Germans questioned said that they believed economic unity was important, compared with 35 percent a year ago.

Responses to that option also declined in Spain (28 percent now, down 16 points from 1982) and France (30 percent, down 12 points) and by smaller amounts in all other European countries except Britain, where it went up one percentage point, generally considered too small a movement to be interpreted accurately.

"I think this decline in the public feeling about economic unity is terribly important,"

said Mr. Loch, "especially in view of this week's [European Community] summit in Athens, where the EC unity is once again shaky."

That same point was underscored by Jan Garrijsen of NRC Handelsblad of Rotterdam. "European unity used to be part of the conventional wisdom for all Dutch people," he said.

"Many people have lost their European idealism. They no longer believe that the European Community can create new possibilities. There are no longer any real expectations when EC ministers meet. In the last year or two, we have seen too many meetings which ended without result."

Big Worry of 9 Nations Is Still Unemployment

International Herald Tribune

PARIS — Unemployment is the single most important concern of citizens surveyed in the major industrialized nations, just as it was in two previous international polls conducted for the International Herald Tribune.

But it has gone down in importance since March in all countries polled except France, Italy and Norway. In Japan, where unemployment in the summer reached the highest level in 30 years, the threat of war is the most important concern, mentioned by 42 percent of those questioned. In the last poll, in March, it tied with crime at 36 percent. Japanese concern with crime in the autumn poll decreased to 33 percent, a trend noted in four of the West European countries as well.

The Japanese and Europeans had already shown in the past two polls that they were worried about nuclear weapons and the threat of war, but the level of concern over the threat of war had actually declined in some European countries from last fall to last spring, dropping 8 points, to 34 percent, in France for example. In the latest survey, however, there was a 10-point increase in the French concern over threat of war, and it went up in all other countries except

Spain — up 12 points in West Germany, 11 in Italy, six in Japan and five in Britain.

But it was the Americans who registered the sharpest increase in concern in those areas, with nuclear weapons jumping to 37 percent from 18 percent a year ago and the threat of war moving to 45 percent from 23 percent.

Pollsters generally discount moves in public opinion of 3 percent or less in either direction because of the margin of statistical error, so the fact that U.S. pollsters this time found no major differences in levels of concern except in security issues is worth noting. There was an approximate doubling of concern over the last year in nuclear arms and the threat of war, while inadequate defense as a worry has doubled since March — all reflective of the growing debate over security.

All five leading worries expressed by Americans in the 1982 poll related to domestic areas, mainly economic in nature. Now, war and nuclear arms are in second and fifth place.

Those intensified concerns were consistent, regardless of political party preference, profession or age. Overall, 45 percent of Americans questioned are troubled by the threat of war, in a breakdown by party, it is 41 percent Republican, 49 percent Democrat and 43 percent independent.

This question, with which pollsters have begun their individual interviews in each of the three surveys sponsored by the Atlantic Institute, allows respondents to name as many items of concern as they wish — which is a device to show a general intensity level of worry in each country. The latest poll found little overall change in that level except in the United States, where persons interviewed in October noted one and a half times as many items of concern as last year.

Americans showed increased concern in all areas — even including the energy crisis, which has declined as a worry in other countries surveyed. But security problems were clearly predominant.

— CHARLES MITCHELMORE

Cooperation In Alliance

(Continued from Page 1)

fore the bombings of U.S. and French military installations in Beirut in all countries except France, Spain and Japan, but officials of Louis Harris said it did not appear to have any effect on results in those countries.

Richard D. Vine, a former ambassador for the United States in Western Europe who now heads the Atlantic Institute, said the poll results on trans-Atlantic cooperation portrayed "a serious problem for the alliance" on two fronts.

"On this question," he said, "confusion is increasing and partisanship — or the tendency to treat this as a political party issue — is increasing, and that is not good news for the alliance."

Mr. Vine added that the data showed that "it is increasingly incumbent on the United States to emphasize arms control and a build-down of nuclear weapons systems as a concrete objective for NATO. If we can do this — and put security issues back where they belong, in security — it is quite likely that this trend can be reversed because the other data are basically positive for NATO."

The decline in Europeans' confidence in cooperation with the United States is an important element of that question. In West Germany, where the shift in opinion away from cooperation appeared most startling in the latest survey, Theo Loch, a commentator for the Westdeutscher Rundfunk network, notes that "historically, there has always been a split between what you might call the pro-American bloc and the pro-Russian — not pro-Soviet even but pro-Russian — bloc of people."

"But beyond that today," Mr. Loch continued, "the tendency toward anti-Americanism in Europe today is stronger than ever before. There are many reasons you could advance for this, but I believe that the characterizations of the Reagan administration policy as confrontational are important to it."

Poll Reveals Pessimism Over Economic Outlook for Industrialized World

International Herald Tribune

PARIS — A majority of the people in the leading industrialized democracies believe that their economic situation is not going to get any better in the next year, and significant numbers of those polled fear that it will get worse.

The exception to this general rule of pessimism is the United States, as it was last spring. In the latest poll, conducted this autumn for the International Herald Tribune, the Atlantic Institute and a media group, Louis Harris interviewed

found 33 percent of Americans believed that their personal economic situation a year from now would be improved. Only 12 percent thought it would be worse, while 53 percent thought it would be about the same.

Answering a similar question in March, 64 percent of Americans questioned said they thought economic growth would resume within two years, provided appropriate measures were taken. In the eight other countries surveyed, respondents said they thought that the

current economic situation is a longer-term crisis.

In the autumn polling, pessimism was most marked in the Netherlands and in France, where 42 percent and 39 percent respectively forecast a worse economic situation a year hence. Only 7 percent in each country said they thought it would be better.

Responses in Spain and Britain showed the most optimism in Europe. Although 33 percent of Spaniards queried said they expected to be worse off in 1984, 20 percent

predicted better times, and 38 percent expected about the same. That appeared to reflect a trend in Spaniards' replies to other questions, showing a decline generally in domestic concerns.

The British, who have had a spate of good economic news recently, had the highest level of optimism in Europe, with 21 percent confident of a better situation.

Support in most countries for protectionist measures, as identified in a separate question, did not seem linked to individual views of

the economy, however, even though the question was carefully phrased so that respondents were asked to consider import restrictions as a defense against the loss of jobs to foreign competition.

Only the Dutch and Norwegians — small countries with important foreign trade sectors — rejected protectionism, the Dutch clearly, 47 percent to 29 percent, and the Norwegians 47 to 45 percent.

In Japan, where replies were divided almost equally — 35 percent favoring restrictions, 33 percent




against and 32 percent no reply or don't know — the striking exception to protectionism was among proprietors and senior executives, who opposed such measures 46 percent to 30.

In the United States, where trade restrictions were supported by a 2-to-1 margin, there was no such exception. In all age groups, professions and political parties, the backing for protectionism was close to the overall figures: 63 percent in favor, 31 percent opposed, 6 percent no response or don't know.

QUESTION: Many people believe that, even if free trade brings important benefits, imports must be restricted in your country because jobs are being lost to foreign competition. Do you...

BASE 100	BRITAIN	FRANCE	ITALY	JAPAN	NETH.	NORWAY	SPAIN	U.S.	W.GER.
Agree with this position because unemployment is the most critical short-term problem for your country	53	48	53	35	29	45	43	63	39
Disagree because retaliation by other countries would reduce your country's exports and thus aggravate unemployment in your country	36	40	21	33	47	47	31	31	27
No answer/no opinion	11	12	26	32	24	8	26	6	34

QUESTION: Do you believe that your personal economic situation a year from now will be...

Base 100	 Better	 Worse	 About the same																				
BRITAIN	FRANCE	ITALY	JAPAN	NETH.	NORWAY	SPAIN	U.S.	W.GER.															
21	24	51	7	39	49	15	26	49	7	27	59	7	42	33	17	69	20	33	38	12	53	12	66

Spain, Italy Reject Nuclear Arms Use

International Herald Tribune

PARIS — Italians and Spaniards believe, almost as strongly as Japanese, that nuclear weapons should not be used in any circumstances — even if their countries were attacked with nuclear arms.

The 3-to-1 anti-nuclear response to a poll question in Japan, the one country which has suffered nuclear attacks, is not surprising. In Spain, the result was nearly as strong, and the anti-nuclear sentiment in that country cut through all age, professional and sex distinctions.

The only difference was according to political party preference. Among supporters of the ruling Spanish Socialist Party, the anti-nuclear sentiment was strongest — 71 percent who would not use nuclear weapons in any circumstances, against 19 percent who would if attacked. In the rightist Alliance Party, 53 percent said they would favor the use of nuclear weapons if attacked, while 39 percent would not use them at all.

Among Italians, 48 percent said that nuclear weapons should never be used, while 33 percent in the tally said they would support some

use. There was no distinction by party or any other category. Only supporters of the Socialists, who lead the current coalition in Rome, were nearly divided — 42 percent against any use and 41 percent if attacked.

"Italians fear that any use of nuclear arms would lead to general destruction all around them," said Fabio Bassani of the Atlantic Institute.

In West Germany, the 46-percent response favoring use of nuclear weapons, either as a defense against nuclear arms or to end a non-nuclear conflict quickly, corresponds almost exactly to the Germans who voted for the CDU-CSU coalition in last March's election, according to Theo Loch of the Westdeutscher Rundfunk in Cologne.

But Mr. Loch noted the relatively high rate of non-response and no opinion in Germany (23 percent) and other European countries compared with the nuclear arms states. "Many people in Europe are just plain confused and disturbed on this issue," he said. "I have just received a six-page letter from a

woman in Austria who wants to know what she should believe. "I believe there has been an overkill on information on these missiles to the point that people are unable to see clearly."

However, the polls in the United States, France, and Britain — the three Western nuclear weapons states — found clear support for use of those arms, ranging as high as 6-to-1 in the United States.

Sentiment in favor of no use of nuclear weapons was most pronounced, as might be expected, among younger respondents. In Japan, 66 percent of respondents between 25 and 34 years of age favored non-use. Although there was a majority for non-use of nuclear weapons in all categories of Japanese, the lowest numbers were in the age groups 35 and over — precisely the people who lived through the 1945 atomic bombings of World War II.

The non-use option drew a clear majority in non-nuclear states except Norway where 44 percent in the lowest age bracket favored it.

How the Poll Was Done

The third international poll conducted for the Atlantic Institute, the International Herald Tribune and a media group was designed to measure public attitudes toward nuclear weapons at a time of heightened debate over the East-West arms balance.

To achieve this, the same questions were asked in all nine countries. The survey in Norway was conducted Sept. 10 to 25, but all others were done in October. A total of nearly 10,000 people were interviewed. The pollsters of Louis Harris and Associates in New York said that additional effort had to be made in planning the Atlantic Institute survey to compensate for "different national mindsets" in each country, as well as in translation of questions.

He conceded that the international nature of the poll posed more questions about accuracy than would a single-nation survey. "It is true," he added, "that comparisons of data over time in the same country are probably more accurate than comparisons of the same data across national borders. But if the same trend is found in several countries, our experience tells us that this makes the individual country data more reliable."

Interviewing for the poll was done by telephone in the United States and in person in all other countries.

Joining with the International Herald Tribune as sponsors of the survey were the Financial Times of London, Le Matin of Paris, Il Sole-24 Ore of Milan, Asahi Shimbun of Tokyo, NRC-Handelsblad of the Netherlands, Aftenposten of Oslo, El Pais of Madrid, The Philadelphia Inquirer and the Westdeutscher Rundfunk, the Cologne-based broadcast network.

The Atlantic Institute for International Affairs is a private independent research center in Paris. More than 95 percent of its annual budget comes from private foundations.

Questions about the poll or inquiries about the purchase of the complete poll data book should be addressed to the Atlantic Institute for International Affairs at 120 rue de Longchamp, 75116 Paris.

Soviet Buildup Is Top Cause of Tension

International Herald Tribune

PARIS — With the exception of France and Spain, respondents in the nine countries surveyed for the Atlantic Institute's latest international poll still consider the Soviet military buildup the greatest cause for current world tensions.

Even in France, where the economic situation has such an apparent hold on public concern that U.S. interest rates are ranked higher than security issues, the Soviet buildup was blamed by nearly twice as many people as it was when the same question was posed a year ago.

At the same time, however, the U.S. military buildup was held responsible by sharply increasing numbers of people in all countries except Spain and the Netherlands, compared with 1982 polling. In Japan, which was not included in last year's survey, the U.S. buildup ranked second, with a 34-percent response rate, behind the Soviet buildup, at 32 percent.

Moreover, the number of respondents specifically blaming the extension of Soviet influence actually declined over the last year in all

countries except France, the United States and Italy (where it increased by only one percentage point).

The responses to this theme confirmed the trend noted in the opening question about national and personal worries asked in all three polls sponsored by the International Herald Tribune: People in the West are increasingly concerned about the threat of war and, more specifically, nuclear weapons, and they hold the two superpowers responsible.

In the United States, replies to these questions were sharply accentuated. Compared with a year ago, nearly twice as many Americans blamed not only the Soviet buildup for current tensions (52 percent now, against 27 percent in 1982), but also by as many people in the United States cited the U.S. buildup and superpower activities in the Third World — where Washington's policies are implied along with those of Moscow.

U.S. responses to this question were strikingly homogeneous. Only among Republicans was there a slight deviation from the norm: 26

percent blamed tensions on growing mistrust and pessimism in Western Europe, up 11 points from last year. Among Democrats and independents, 18 percent of both groups listed growing mistrust as a chief cause of international tension, little changed from last year.

The most obvious distinction by party was in West Germany, where the top of the security debate among Social Democrats following their loss in the 1982 national elections appeared in poll responses.

In 1982, 42 percent of West German Socialists interviewed blamed the U.S. military buildup and 39 percent blamed the Soviet buildup; this year, 48 percent cited each.

An "appeasement" option in this question — blaming Western European governments for willingness to give in to the Soviet Union — was largely ignored except by respondents in France and the United States, where names increased slightly instead of going down, as in all other countries, apparent evidence that the strong reaction by President Francois Mitterrand and Ronald Reagan are echoed by their citizens.

One-Third of Italians Support Unilateral Atom Disarmament

International Herald Tribune

PARIS — Italy's Socialist-led government, supported by a parliamentary vote of 351 to 219, has reiterated the country's intention to deploy U.S. cruise missiles in Sicily, but more than a third of the Italian citizens interviewed by Louis Harris pollsters favor unilateral nuclear disarmament for the West.

In the questioning, which took place a month before the Chamber of Deputies vote on Nov. 16, 35 percent of Italians polled said that the West should give up nuclear weapons even if Moscow did not. A nuclear balance — which is what the North Atlantic Treaty Organization has said it is seeking with the introduction of new U.S. missiles in Western Europe — was favored by 30 percent. Ten percent said they favored a freeze on nuclear arms right now, even if the Warsaw Pact continued a nuclear buildup.

Although the poll did not specifically mention the NATO missiles or the Soviet SS-20s, the intermediate-range missiles that the cruise and Pershing-2 missiles are meant to offset, the questions were designed to gather reactions to the East-West nuclear arms balance within the context of the European debate.

Italy was alone among the three nations covered by the poll that have agreed to accept NATO missiles in which more respondents favored unilateral disarmament.

In Britain, on the other hand, respondents favored an East-West balance by 62 percent — nearly as high a rate as among Americans polled, which was 63 percent. Even in the Netherlands, where an active anti-missile campaign has organized more vocal opposition to the NATO deployment, 38 percent of those questioned supported a balance.

In West Germany, some of even more numerous demonstrations, 39 percent of respondents said that they would support a bal-

ance, against 23 percent for unilateral nuclear disarmament and 18 percent for a freeze. In Belgium, the fourth country due to receive cruise missiles, there was no polling.

The Italian poll results were all the more striking because there was agreement among respondents in all three of the country's major parties: 45 percent of Italian Communists favored the unilateral option, as did 40 percent of Socialists and 36 percent of Christian Democrats.

Of those three, only the Communists voted in Parliament against stationing of nuclear arms in Sicily. Fabio Bassani, a deputy director of the Atlantic Institute who specializes in Italian affairs, said that the apparent divergence between government policy and public opinion indicates the average Italian's disapproval of "the strong confrontational approach of the Reagan administration toward the Soviet Union."

In Norway, where the parliament voted on Nov. 21 — by a margin of one vote — to support the NATO missile deployment even though it is not scheduled to receive any of the new arms, pollsters found that most Norwegians, regardless of party preference, favored a nuclear balance. Supporters of the ruling Conservatives backed a balance by 80 percent. Progressives favored it by 69 percent and Christian Democrats by 51 percent.

The Socialists, who supported the 1979 NATO deployment decision when in office, voted against it in the Storting earlier this month, but 43 percent of their supporters said they favored a nuclear balance, while 29 percent backed a freeze and 21 percent unilateral nuclear disarmament.

"The Socialists had the luxury in the missile debate of not having to take a clear stand now," noted Fabio Bassani of the Atlantic Institute. "Their negative vote in parliament is more a question of their being out of office."

Pollsters in West Germany found that nearly as many Social Democrats favored a nuclear balance as unilateral nuclear disarmament — 27 percent to 29 percent — while 21 percent of Social Democrats supporters opted for a freeze, and 22 percent gave no response.

Among supporters of the Christian Democrat-Christian Socialist coalition, 50 percent said they favored a balance, against 17 percent unilateral disarmament and 15 percent a freeze.

In Britain, where the opposition Labor Party has adopted a nuclear disarmament platform, 50 percent of Labor supporters nonetheless said that they wanted a balance, against 30 percent for the unilateral option and 15 percent for a freeze.

Although successive Dutch governments have postponed parliamentary decisions on the missile issue, the poll showed that the current coalition has majority backing among its supporters for a nuclear balance: 52 percent of Christian Democrats and 67 percent of Liberals favor a nuclear balance. Supporters of the opposition, Labor Party were divided on the issue: 32 percent favored unilateral nuclear disarmament, 28 percent favored a freeze and 23 percent a balance.

The overall figures showed Dutch support for a balance — 38 percent, against 25 percent disarmament and 20-percent freeze.

— CHARLES MITCHELMORE

France's Coolness Reflects Mitterrand

By Charles Mitchellmore
International Herald Tribune

PARIS — The French government's coolness toward the Soviet Union, especially over the issue of nuclear arms, is a reflection of President Francois Mitterrand's personal feelings, according to a new poll by the Atlantic Institute.

The poll, conducted this autumn for the International Herald Tribune, the Atlantic Institute and a media group, Louis Harris interviewed 10,000 people in nine countries.

In France, 48 percent of respondents said they favored a nuclear balance, against 23 percent for unilateral nuclear disarmament and 18 percent for a freeze.

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— CHARLES MITCHELMORE

Moscow May Receive Missile Talks, Kol

(Continued from Page 1)

commentary spokesman said that the Soviet Union had been asked to consider a new, more flexible loan. The loan was declined to be used by the Soviet Union to lend \$750 million to Western banks.

Bonn approved a loan of \$400 million to the Soviet Union last year. But Mr. Kohl and his government figures said that East Germany would be eligible for further aid if it fulfilled information from the first round of talks.

The financial newspaper said that the new \$370-million loan would be in the form of units which could be used only in West Germany.

Erich Honecker, the German leader, reacted in the West German press to the news of the loan, saying that his government would do its best to ensure that the loan was used for economic development.

The NATO Policy group, which is based in London, said that the loan was a significant step forward in the relationship between the two countries.

The loan was a significant step forward in the relationship between the two countries.



LISBON MEETING — Foreign Minister R.F. Botha of South Africa, left, met Monday with Mario Soares, the Portuguese prime minister, to exchange views on southern Africa, especially over the question of South-West Africa, or Namibia. Mr. Botha is on a three-day visit to Portugal before traveling to West Germany and Britain.

Swedes Say Bureaucracy Winning Out Over Fairness

After So Much Social Change, the Drive for Perfection Now Creates as Many Difficulties as Benefits

By John Vinocur
New York Times Service

STOCKHOLM — A couple of weeks ago, an indistinct aerial photograph, the kind that usually reveals missile silos in the Urals, was spread across the centerfold of Expressen, Scandinavia's largest-circulation newspaper. Its focus of attention: the Stockholm neighborhood where Claes Florin, a tax collector, lives.

The details had the kind of fuzzed-over edges and indistinct shading that at the end of a briefing officer's pointer can turn a couple of sheds into a terrorist training camp.

The photograph showed the outlines of a rock garden and a parked car near Mr. Florin's house. For Expressen's investigators, the garden was a secret swimming pool construction site; the car, the paper revealed, was parked next door so that no one would associate it with the Florins, or their supposedly camouflaged wealth.

It took a paragraph or two for the reader to figure out that the story was a spoof: the newspaper had decided, as its editor, Bo Stromstedt, explained, that it was time Mr. Florin, described as a tax-collecting zealot with a preference for aerial photography, "finds out how it feels to have his integrity threatened."

The newspaper often runs its ar-

ticles on bureaucratic abuses with a macabre logo that says, like a Christmas shopping reminder, "44 days until 1984."

Nobody ever got terribly excited here about local comparisons to George Orwell's year of totalitarian oblivion. But all the continuing talk about Sweden and 1984 has upset the authorities because they see it catching on outside the country.

The official discomfort is such that the day Expressen needed the tax collector, the government called in the foreign press corps of about 150 correspondents for a lecture on their supposedly less-than-objective articles about Sweden. The reporters booed the government's panel of monitors.

But the problem is not going away: more and more influential Swedes are saying things that suggest that bureaucracy is winning out over the Swedish sense of fairness and social justice. The authorities, for example, wired the tax agency's computers so that police checking traffic infractions could hunt for tax evaders at the same time.

Now two of the country's best-known novelists, Lars Gustafsson and Sven Delblanc, say they are considering leaving Sweden. Talking to a French magazine in apocalyptic terms, Mr. Gustafsson described the language of the ruling Social Democrats as having an "af-

ter taste of timid fascism and vague totalitarianism."

This brought an open letter to the writer last week from Carl Lidbom, the Swedish ambassador to France, and a former Social Democratic cabinet member. The ambassador accused him of being unpatriotic and cowardly. So much nasty talk, Mr. Lidbom wrote, was making his job of preserving Sweden's reputation and interests difficult. After all, he said, Mr. Gustafsson's life was not in danger.

A visitor to Stockholm, in truth, does not often confront Orwell's universe. He hears of imagined bits of it from friends: ballots so complicated on voting days that they defeat democracy; a woman at an airline ticket counter who insists a customer take a number from a machine in order to be waited on, even though he is the only client in the office; eighth-hand accounts of children who are taken away from their parents because of a contentious or somehow exotic answer to a social worker.

The evidence of a totally regimented society hardly surges through the streets; rather, it seems that Swedes, so comfortable for so long with so much social change and so many of the gadgets of modernity, are disoriented because the range for reworking society has narrowed and the drive for perfection now creates as many difficulties as benefits.

Marianne Alopaeus, who has written a book on Sweden that strikes out at the country's habits, thinks that if Sweden reinstated capital punishment the temptation would be to do it for tax fraud. The subject is obsessional, without the faintest element of cliché.

Gunnar Myrdal, a winner of the Nobel prize for economics, has written that the Swedes have become a nation of cheaters, but tax fiddling is still treated like the greatest of moral outrages, an attempt to work bumps back into the great leveled carpet of national life.

The extent of tax sin now includes knowing the tax laws too well. Two weeks ago, the Social Democratic minister of justice, Ove Rainer, was forced to resign because he used them legally, but to his advantage.

Mr. Rainer inherited more than \$200,000 worth of stock in 1981 and to avoid being taxed on 88 percent of it went into debt, borrowing almost \$2 million from a bank where he was a director. Because servicing the new debt was deductible, he was able to write off the money he inherited.

People talked about the Rainer affair with a curious mixture of shock and sneaking admiration.

Sinking sharply in popularity polls, Prime Minister Olof Palme was required to punish the offender, without acknowledging that his

initial appointment was questionable. The solution: immediately naming Mr. Rainer to the Supreme Court. It was a lifetime job as a symbol of Swedish equity, and at a salary better than Mr. Rainer's old one.

A lifetime lasted a week; Mr. Rainer abandoned his new appointment under pressure.

Reagan Signs Bill Curbing Law Unit

United Press International

WASHINGTON — President Ronald Reagan, despite his proposal that the Legal Services Corp. be abolished, signed legislation Monday extending the life of the corporation but imposing tighter restrictions on it. The agency distributes U.S. government funds for legal aid to poor people.

The law imposes curbs on lobbying by the agency's lawyers and other staff members; restrictions on the filing of class-action lawsuits against state or federal governments; limits on assistance to aliens; and changes that could make it more difficult for some recipients to renew their funds.

The guidelines are included in a \$10.5-billion appropriation bill covering the departments of State, Commerce and Justice.

France's Coolness to Wave of Pacifism Reflects Mitterrand Pro-Missile Stand

By Stanley Meisler

PARIS — In Europe, fashionable ideas usually spread from France. However, the pacifist, anti-nuclear mood so popular among European intellectuals and leftists these days did not come from France. The mood, in fact, hardly exists here.

While police struggled with protesters outside Greenham Common air base in Britain and the Bundes tag in West Germany, while the powerful opposition parties of both countries condemned the deployment of new U.S. missiles in Europe, there were no comparable dramatic protests in France.

"Not only is France not strongly pacifist," said Michel Tain, the defense analyst of the Paris newspaper Le Monde, in a recent interview, "but it has become strongly anti-pacifist."

Both French and foreign analysts attribute the weakness of the peace movement in France largely to the strong pro-missile stance of President Francois Mitterrand, whose country is not among the five West European NATO nations due to receive the new U.S. missiles, and to the decision made almost 20 years ago by then President Charles de Gaulle to create for France a nuclear force of its own.

The present French mood, so out of step with that of European intellectuals elsewhere, was reflected recently in an angry book by a leftist philosopher condemning pacifism and in a pastoral letter from the French Roman Catholic bishops supporting the principle of nuclear deterrence.

In the book, "The Force of Vertigo," Andre Glucksmann, a young philosopher who first attracted attention during the student uprisings of 1968, cites Marcel Proust, Shakespeare, Plato, Stendhal, La Fontaine and many other classic writers while building his case that there are some conditions, such as living under Soviet-style communism, that are worse than death for a free people.

Mr. Glucksmann has only scorn for the Roman Catholic bishops in the United States and the pacifist strain in their pastoral letter earlier this year on nuclear war. Scientists such as Albert Einstein, Mr. Glucksmann recalls, took part in developing an atomic bomb out of fear that Hitler would produce one first. "My good fathers," Mr.

Glucksmann addresses the American bishops, "in confidence, would you have dared to reply to Einstein: Rather Hitler than the nuclear bomb?"

The pastoral letter of the French bishops was looked on as far to the right of the American one. The French bishops issued theirs Nov. 8, just a few days after publication of the Glucksmann book. The bishops supported the need for defensive nuclear weapons so strongly that, according to the French press, French military officers were astounded and pleased.

The bishops said that if a peaceful country gave up its power of nuclear deterrence, it would submit itself to "the permanent blackmail" of an aggressor. "In a world where man is still a wolf to other men," said the bishops, "turning oneself into a lamb may perhaps provoke a wolf."

Just like other West Europeans, the French have shown themselves troubled lately over the dangers of nuclear war. This was made clear on a television program recently that featured Mr. Mitterrand replying to questions telephoned in by viewers. Many questions reflected a nervousness about the possibility of war.

The disquiet, however, has evidently not strengthened the three private French organizations that are opposed to the deployment of new missiles in Europe. Two organizations are regarded as dominated by the Communist Party and the third has not attracted any prominent French personalities to its cause.

"Pacifism in France," said Mr. Tain of Le Monde, "is a monopoly of the Communist Party, so it is discredited."

Several factors seem to account for the absence of a pacifist mood in France. The most significant evidently are that France, unlike West Germany, has a nuclear force of 98 missiles of its own, and, unlike both West Germany and Britain, refuses to allow U.S. missiles on its soil.

This is a direct result of De Gaulle's decision to separate France from the military aspect of the North Atlantic Treaty Organization in 1966 and to create a "force de frappe," as the French nuclear arsenal is known. This policy has struck a chord with the spirit of French nationalism and with the need to feel in control of French destiny.

Moscow May Reconsider Missile Talks, Kohl Says

(Continued from Page 1)

man government spokesman, said that East German officials approached Bonn last week for a new and apparently sizable loan. Earlier, Mr. Kohl declined to respond to a newspaper report that West Germany was about to lend \$370 million to East Germany, which is deeply indebted to Western banks.

Last summer, Bonn approved a private bank loan of 1 billion Deutsche marks (about \$400 million) to East Germany. But Mr. Kohl and other senior government figures have insisted that East Germany would not be eligible for further loans until it fulfilled informal commitments arising from the first loan to ease human contacts between the two Germans.

A report in the financial newspaper Handelsblatt said that \$596 million of the new \$370-million loan would be in the form of units of account that could be used only for purchases in West Germany.

Last Friday, Erich Honecker, the East German leader, reacted in conciliatory tones to the West German Bundestag's vote in favor of deploying U.S. cruise and Pershing-2 missiles, saying that his government would do its best to prevent relations with West Germany from deteriorating.

Dutch Endorse NATO Policy

The Dutch government, pondering whether to accept 48 U.S. cruise missiles, issued on Monday the strongest endorsement of NATO nuclear policy and its own nuclear defense role in recent years. The Associated Press reported from The Hague.

Stating that there are "no useful alternatives" to the Netherlands' current defense strategy based on NATO nuclear deterrence, the Dutch Defense White Paper for 1983 said it was "a dangerous illu-

sion to think that peace can be established when nuclear arms are removed." It added, "The danger of conventional war in Europe will not decrease, but increase."

"Nuclear arms are not good or bad," the report said, "but as a means to deter, they are the lesser of two evils."

Austria, Finland Vow to Defend Neutral Air Space

Compiled by Our Staff From Dispatches

HELSINKI — Neutral Finland and Austria have joined Sweden in announcing that they will defend their air space against cruise missiles.

In Vienna, Foreign Minister Friedrich Frischenschlager said Monday that his country would defend against the missiles, whether coming from east or west. He said at a news conference, "We have the duty to defend our air space from both sides."

Foreign Minister Paavo Vayrynen said Sunday that Finland had started building up its capacity to detect and intercept cruise missiles flying through its air space toward the Soviet Union.

He said on television that he did not think land-based cruise missiles being stationed in western Europe would pass over Finland, but "we must be prepared" for missiles launched from aircraft, submarines and ships operating nearby. Finland has a friendship treaty with the Soviet Union calling on the Finns to repel a Western attack through their territory.

Last month, Sweden announced it would be able to shoot down cruise missiles crossing its air space.

(AP, UPI)

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INTERNATIONAL Herald Tribune

Published With The New York Times and The Washington Post

A Village in South Africa

Those wonderful people who brought you the South African government's idea of racial and electoral reform earlier this month (a "reform" that made things worse for the 70 percent of the population that is black) have another terrific project in the works. It is the evacuation and destruction of a village called Mogopa, 120 miles (190 kilometers) west of Johannesburg. News of this enterprise should serve as a useful antidote to all the cynical propaganda that is being put out about how the Botha government's heart is really in the right place, but it can only move so fast, etc.

Why did the authorities decide to move down this village and dispossess its several hundred families? Well, you don't have to be told: because the villagers are black people and — never mind that their forebears bought the land in 1911, or that the village is one of the most stable and prosperous rural black communities in South Africa — its mere existence in that place violates the concept of apartheid. Mogopa constitutes an unauthorized "black spot," being 80 miles from where it should be according to the plan to establish racial purity. So what is to be done? Simple. You just kick

the people out and destroy what they have spent decades building up, and compel them to go somewhere else — somewhere terrible.

Bulldozers belonging to the government department in charge of black affairs have flattened Mogopa's four churches and two schools, all built of beautifully cut stone. Bus service has been stopped and the water pumps have been removed from boreholes.

A local merchant told The Washington Post's correspondent, Allister Sparks, that she and the others in Mogopa had been informed by the government that at Pachtadrai, a place 80 miles to the north where they are to be sent and which none of them "has ever seen," the dispossessed families will be given "a tent and a tin toilet each, free, for six months."

It is disgusting. But, importantly, it is also what is really going on in South Africa — the hard, irreducible essence of the apartheid system. The next time someone talks to you of savagery and a want of civilization in Africa, don't be so quick to take offense at the language. It is a fitting description of the people who are perpetrating these acts.

— THE WASHINGTON POST.

Protect Steel, Damage All

"This is a hydra," as Bill Brock so well put it. "New heads," said the president's special trade representative, "come up every day." The latest is Bethlehem's bid for more protection against steel imports. America's second largest steelmaker is understandably aroused by competition from efficient foreign producers, notably South Korean and Brazilian.

But it is hard to see how additional protection will benefit the public — or the long-term prospects of the domestic industry. As Mr. Brock concluded, there are strong reasons to hold out for open world trade in steel.

Like most other large integrated iron and steel producers, Bethlehem has an old and inefficient plant and high labor costs. In a period of excess steelmaking capacity the world over, the company has thus been vulnerable to foreign competition.

Since the late 1970s, the U.S. steel industry has managed to extract some protection from unsympathetic presidents by threatening to take its case to Congress. But the existing curbs on European and Japanese steel are not helping much. Third World producers have rushed to fill their place.

One-fifth of the steel sold in America nowadays is foreign, much of it from new mills in South Korea and Brazil. And Bethlehem is probably right in believing that low-cost foreign producers are likely to increase their sales effort as the world's capacity to produce steel continues to grow faster than demand.

Still, it is hard to argue that other countries are taking "unfair" advantage. Efficient facilities and low labor costs, combined with exchange rates that favor imports, allow foreign-

ers to sell steel at very low prices and still make a profit. They are not therefore "dumping" in the usual sense. Bethlehem's lawyers will reportedly contend that, fairly sold or not, foreign steel is injuring the domestic industry. If the U.S. International Trade Commission then finds that imports constitute the most important source of the industry's malaise, it can recommend protectionist measures — most likely, country-by-country import quotas. The Reagan administration vows to resist, but in an election year that will not be easy.

As a matter of law it is by no means clear that Bethlehem can make a plausible case. Other factors explain much of Big Steel's problem, including the chronically depressed demand for steel, the aging of America's plants, and wages that are at least 50 percent higher than the industrial average in America and much higher still than Third World wages.

In any case, more protection would be bad policy. The industry is already moving in the right direction by reducing total capacity, modernizing facilities and buying cheap, semi-finished metal abroad. More protection would only reduce incentives to modernize more rapidly and confront uncompetitive labor costs.

Protecting American steel would also damage growth in less developed countries, and their ability to pay their debts to the United States. Worst of all, it would increase inflationary pressure just as unemployment is being reduced to tolerable levels. The best hope is that Bethlehem drops its plan to petition for more protection; or, if not, that the trade commission sends the petitioners packing.

— THE NEW YORK TIMES.

Other Opinion

After the Film, a Debate

Only in the last two years has the awareness of the grave threat to us all penetrated the consciousness of the public at large and stimulated it to effective political action. We have seen compelling evidence that an informed, persevering and politically effective arms control constituency is needed and can play an important role in government policy. It would of course also be a welcome development if such an informed and vocal constituency could exist in the Soviet Union.

— Sidney D. Dreil, deputy director of the Linear Accelerator Center at Stanford University, writing in the Los Angeles Times.

In the days after "The Day After," what can each of us do to prevent tragedy on a global scale? We can fight off the temptation to indulge in despair. We can remain strong in our determination to preserve deterrence and to persevere in our search for genuine, mutual, significant arms reduction. And we can share our conviction that nuclear war has no winners with the individuals whom we most need to convince; the leadership of the Soviet Union. Our petitions and our marches should be directed to that leadership — and quickly.

— Caspar W. Weinberger, U.S. secretary of defense, writing in The Washington Post.

[The movie] could have as powerful an impact on American life as that other work of fiction, "Uncle Tom's Cabin," had on the America of the 19th century. "The Day After" is the fiction of truth, designed to cut through myriad stupidities and ask basic questions. The essential question is this: Can a handful of human beings, most of them elderly men, be allowed to destroy the human race? "The Day

Why is it that the leaders of two countries whose fates are so intertwined almost never talk to each other? If either world leader would simply say, "I am willing to talk anywhere," I suspect that such a meeting would occur. This is still the day before. Is anyone listening?

— David P.J. Longhurst — mayor of Lawrence, Kansas, the town whose fictional destruction is depicted in "The Day After" — writing in the Los Angeles Times.

The unexplained disappearance of Yuri Andropov, who is at least first among the Politburo equals who run the Soviet Union, reminds us of a familiar but largely unexplored phenomenon — the exposure gap, one might call it. If an American president vanished for 100 days, the United Nations General Assembly would be in emergency session from dawn to dusk and explanations would be demanded from Madrid to Minsk. No one, of course, has bothered to ask officially about Mr. Andropov. There would be no answer.

— Edwin M. Yoder in The Washington Post.

Shamir in Washington:

Ten Restoratives for the Health of a Special Relationship

By William Safire

WASHINGTON — As the leaders of the United States and Israel meet this week to celebrate the return of the special relationship, here are 10 precepts to chisel on a couple of tablets:

Thou shalt have no Middle East allies before me. President Reagan's misbegotten experiment with "evenhandedness" has failed. Arab monarchs and dictators take such middleman-ism to mean that Israel has no reliable ally and can be beaten. Israel needs an ally, not a broker. America needs a rock-solid ally with the capacity to deliver help, not a worried friend amid a sea of arms-grubbing underpayers.

Remember the concept of deterrence, and keep it central. America's object is not to get Israel to attack Syria, but to induce Syria to leave Lebanon. Since the only pressure that works on Syria is fear of Israel, the United States must increase that fear by building Israeli strength.

Thou shalt spring no more unnecessary surprises. Israel should develop procedures for "nonconsultative prenotification," enabling it to act without involving the United States but also without stunning it, as in Jerusalem's policy to prevent development of the Islamic bomb. America should avoid selling AWACS to states unwilling to make peace, enhancing Saudi F-15s to endanger Israel's cities or conspiring secretly with King Hussein to smash the peace Israel needs for defense on its side of the Jordan River.

Thou shalt get things together. Despite the presidential policy laid down this month in National Security Decision Document 111, Secretary of Defense Weinberger seeks to nibble it to death. The purpose of NSDD 111 is not to purchase Israeli help for police duties with a few extra billions for aircraft; the purpose is to assure America's only democratic ally in the area that Mr. Weinberger's failed pro-Arab policy has been superseded.

Thou shalt not ask thine ally to act against his interests. Israel should not restrain the United States from helping Iraq make war on Iran. The United States should not expect Israel to support, or even quietly acquiesce in, a rapid Egyptian move to force under Jordan's King Hussein. For the United States to expect the Middle East's most cautious monarch to send a new Arab Legion wherever the United States wants in a crisis carries wishful thinking to the point of self-delusion.

Thou shalt put thine economic house in order. Israel should learn from its ally's experience that only a recession can cure rampant inflation. Israelis must abandon the luxury of indexation, resign themselves to unemployment even if it means emigration, cut welfare spending and grapple with austerity. If not, no outside aid can stave off their debilitating and erosion of national dignity. Bullets are for bribing as well as shooting.

Thou shalt fashion the retaliation to fit the crime. The slaughter of 239 U.S. Marines on peacekeeping duty by Syria's agents is a provocation that American self-respect cannot permit to go unavenged. Israel and France have retaliated for their own losses with air strikes against specific targets, but the U.S. response must be worthy of a superpower. Rather than bomb a site that would

kill a few hundred terrorists, the United States must cause real strategic pain to the perpetrators with a reaction opposite to their intent: It must equip the nation that the marines' murderers most fear with the most advanced missiles and aircraft, share intelligence data, organize joint maneuvers and publicly express its political solidarity with Israel. That would be significant rather than symbolic retaliation.

Thou shalt not venerate the icons of error. For too long, doves in America and Israel have sold the illusion that tension would be resolved in the Middle East with the creation of

a Palestinian state on Israel's ancient land. Now the world has seen again how savagely Arab dictators treat Palestinians, how they use Arab innocents as pawns in the war to destroy Israel, how they deny Palestinian human rights everywhere. The answer is not segregation under terrorists but autonomy on the West Bank and dignity in Arab lands, which must be pressed into offering the Palestinians hospitality and assimilation.

Honor thy commitments. Israel lived up to the Camp David accords by returning the Sinai to Egypt; the United States scrapped the accords

by trying to impose a deal on the West Bank, and has failed to induce Egypt to keep its word on diplomatic and trade relations. Israel agreed to draw back in Lebanon; the United States should enforce rather than seek to vitiate that agreement. Unless old treaties are treated with respect, new treaty-making will be viewed with contempt.

Thou shalt not project false images. At least one and perhaps both nations face elections next year. Any American or Israeli leader who fakes fidelity to an alliance for temporary public-opinion advantage will bring down the wrath of the voters of two democracies.

The New York Times.



A Tactless Coincidence—and an Opportunity

By M.A. Tarbush

PARIS — Today, Nov. 29, happens to be International Solidarity Day for the Palestinian people. Friends around the world issue communiques reiterating support. Millions of people attend ceremonies, listen to Palestinian music and poetry, admire embroidery and other art works that generations have perfected down the centuries, taste Palestinian delicacies and watch traditional dances.

Friends have invited Palestinian leaders and academics to talk to them about Palestine, its culture, its people, their heritage, their achievements and their sufferings.

And today happens to be the day that Ronald Reagan receives Yitzhak Shamir. Mr. Reagan may be unaware of the coincidence.

Who is Prime Minister Shamir? Yitzhak Yezersky, as he was known, emigrated from Poland to Palestine in 1925. A disciple of the hard-line Zionism of Vladimir Jabotinsky, he joined the Irgun Zvai Leumi (National Military Organization), which tried unsuccessfully to forge an alliance with Mussolini.

Mr. Shamir and associates broke away from Irgun to found their own military organization, soon known as the Stern Gang. In 1940 they sought an alliance with Hitler. Lenni Breiner, the Jewish American author of "Zionism in the Age of the Dictators," writing this fall in

the London magazine Middle East International, quoted from their formal proposal as follows: "The establishment of the historical Jewish state on a national and totalitarian basis, and bound by a treaty with the German Reich, would be in the interest of a maintained and strengthened future German position of power in the Near East."

Irgun and the Stern Gang competed in terrorism. Mr. Shamir's group assassinated Lord Moyne, the British resident minister in the Middle East. The two movements linked up in April 1948 to storm the Palestinian village of Deir Yassin, where some 250 civilians were massacred. In September 1948 the Stern Gang assassinated Count Folke Bernadotte, the United Nations mediator in Palestine.

Late last year Mr. Shamir was faulted by Israel's Kahan Commission for failing to act on news of the slaughter that was being perpetrated in the Palestinian camps of Sabra and Chatila in Beirut.

Today the fate of some 4 million Israeli Jews and as many Palestinian Arabs is in Mr. Shamir's hands. A Palestinian would be entitled to observe that the epithet "terrorist" has been rather selectively applied over the years. Still, perhaps

the responsibilities of office can temper the most extremist of men. After half a century of extremism, Yitzhak Shamir may have turned a new leaf when he agreed to the release of thousands of imprisoned Palestinians last week, thus bringing happiness to many families.

But if France, with its relatively limited resources and influence, could engineer a coup de theatre on that scale, what might not the United States do, if it chose?

It should be clear to all by now that peace will not come to Israelis and Palestinians unless the Israeli government withdraws its troops from the occupied Arab territories and recognizes the natural rights of Palestinians to self-determination.

The Reagan plan of September 1982 might have brought that about. The Israeli government resisted it, thereby condemning both the Reagan plan and the efforts of Palestinian moderate leaders, including Yasser Arafat, to failure.

Most Palestinians, whether Moslem or Christian, and surely some Israelis, must wish that it were Mr. Arafat who was the guest at the White House today.

Mohammad Abu Tarbush is an investment banker and commentator on Palestinian affairs. He contributed this comment to the International Herald Tribune.

Middle Eastern Time Matters, and It's Running Out

By Dominique Moisi

PARIS — As confusion and violence increase steadily in the Middle East, time may be running out. Traditionally, time and a sense of urgency were Western notions opposed to the leisurely pace of the Orient. This view is outdated.

True, for the extremists in both the Arab world and Israel, time does not count. For the Arab reactionaries, the land, like the old kingdom of Jerusalem, will be wiped out by desert; that will remain under Islamic rule all Arab land. For the Gush Emunim in Israel, the occupied territories are the Judea and Samaria of ancient times; and since the Arabs will never accept Israel, time is of no account — only strength and military might matter.

For the moderates on both sides, however, time is the crucial element. Palestinians on the West Bank do not want to wait and cannot wait for centuries. Even if they think time is on their side, most are willing to settle for a compromise. They want less now, and not more tomorrow.

Many Israelis share their concern. They realize that the Begin policy in the occupied territories in effect plants time bombs. Occupation, whether on the West Bank or in Lebanon, is an invitation to violence and a recipe for disaster. The surge of Islamic fundamentalism, with its growing influence among young Arabs, is a deeply disturbing trend.

And whatever the fate of Yasser Arafat and the PLO, the Palestinian problem will not fade away with the simple process of time.

Mr. Arafat, out of weakness, and Menachem Begin, out of strength, may have made parallel errors at the start of the battle for Beirut.

Mr. Arafat could have turned military defeat into political victory by trying to negotiate with the Israelis, at a time when international sentiment was on his side; by choosing PLO unity over moderation, he failed on both counts. Mr. Begin's invasion of Lebanon made sense politically if followed by some opening to the Palestinians from a position of strength.

In this complex game of musical chairs between Palestinians and Israelis, each side regards its ambiguities as legitimate and the other's as preposterous. Time does not heal the wounds, it exacerbates them.

For the Lebanese, too, time is running out. They may have no more than six months to reach an agree-

ment among themselves, if they want to prove to their enemies that their wish to survive as an independent entity is stronger than their mutual hatred. The Geneva conference gave cause for hope, since the different factions agreed to a ceasefire and recognized some form of legitimacy to the Gemayel government. They are still shouting at each other, but they did stop — at least while the conference lasted — shooting at each other.

Lebanon's fragile combination of openness and weakness has made it a privileged prey in regional conflicts. Had the Lebanese formula been more internally dynamic and were Lebanon situated in a less strategically central part of the world, the system could have worked. The Palestinian question precipitated all of Lebanon's internal contradictions.

Whatever the close links between the Palestinian and Lebanese questions, the West cannot simply wait to solve the first before it addresses the second. There is no emergency between the immediate search for a crisis solution and the continuation of a peace process.

The United States, the principal actor in the region, has no time to lose. Its military presence in Lebanon

in a multinational force may have more political than military significance, but that does not remove the need for a broader policy and a more political approach.

The spirit of the Reagan plan has been lost in the sound and fury of the Beirut battles. The plan must be resuscitated. Acute crises often create opportunities that must be seized.

Were the United States to push the Israelis into a military venture against Syria, settling for a military answer to political problems, it would not only run the risk of an escalation on the ground, but also lose its role as a mediator and its credibility among moderate Arabs. It is difficult to impose moderation on others, but extremism can be encouraged only too easily. The United States should not return to any kind of "strategic consensus" under a new disguise.

The Israelis, who have lost a charismatic, if contested, leader and are in the midst of their worst economic crisis, are not all willing to be the U.S. sword in an East-West battle.

Nor is it in the interest of the United States, by pursuing an aggressive policy, to further isolate Egypt from the rest of the Arabs. It should instead minimize Egypt's isolation

and bolster its moderating influence. Time is also crucial for Syria. Unlike the region's other protagonists, it has lately seen time playing in its favor. The year 1983 has been the year of Syria in the Middle East — less because of Syria's strength than because of its neighbors' weaknesses.

Syria's current upper hand has tempted some in Washington to play the Syrian card — in spite of the support Syria has given, together with Iran, to the most extremist tendencies in the fundamentalist movement. But the price Syria would ask would be very high — probably the "Syrianization" of Lebanon.

Since last year, with the growing disintegration of Lebanon and the evident defeat and divisions of the Palestinians, a new mood may be appearing in the West, one of growing cynicism. But the feeling that some problems have no solutions, and that the Middle East is one of them, could become a self-fulfilling prophecy if time is allowed to go by without a new political initiative.

The writer is associate director of the Institut Français des Relations Internationales and editor of its journal, *Politique Etrangère*. He contributed this comment to the International Herald Tribune.

LETTERS TO THE EDITOR

From Ethiopia to Grenada

Regarding the opinion column "Fact-Finding in Grenada: The Missing Persis" (IHT, Nov. 14) by Representative Don Bonker:

Representative Bonker certainly makes a lot of sense when he distinguishes between "imminent" and "prospective" danger, in his comment on the U.S. government's justification of its actions in Grenada. But his account of his personal experience should probably be adjusted a little for the record.

The horrors that were occurring in Ethiopia when he and Senator Paul Tsongas were there in December 1977 did not occur because of the bloody Marxist coup that deposed Emperor Haile Selassie, who had been deposed quite bloodlessly in 1974. The bodies they saw in the streets were mostly those of victims

of the Marxist provisional military government's purge (known as the "red terror") of its young, more romantically left-wing opponents — making the resemblance to the situation in Grenada a little closer.

If Representative Bonker was "stranded" by airport closings, these were not due to restrictions on the departures of foreigners, which were in fact being encouraged. An enormous Soviet airlift was in progress at the time, and the airport was closed several times as Soviet transports ran off the runway or into each other. Acquaintances in the airport tower told me at the time that the most "imminent" danger to foreigners may have been that a planeload of them would accidentally be rammed by one of what they considered to be appallingly inept Soviet pilots.

WILLET WEEKS, Makhar, Tunisia.

Buckley Has Fonda

Regarding "The Question Remains: What If America Goes Up?" (IHT, Nov. 22) by W.F. Buckley Jr.:

It could have been worse. William Buckley did not have the bad taste to attack John Kennedy on the anniversary of his assassination. Instead it was Jane Fonda, yet again. The late but unlamented Westbrook Pegler had his obsession with Eleanor Roosevelt. Buckley has Fonda.

SHERWOOD R. GORDON, Gstaad, Switzerland.

Spheres of Influence

Will someone enlighten me as to the essential difference between Russia's invasion of Afghanistan and the U.S. adventure in Grenada? It's a bit frightening to witness America's contempt for international boundaries.

A Mess Of Whose Making?

By Tom Wicker

NEW YORK — President Reagan may be "dismayed" by Yuri V. Andropov's announced plans to counter NATO missile deployment in Europe with new Soviet deployments, but what did he expect? Moscow had made it plain that it would not accept medium-range U.S. missiles "near the borders of the Soviet Union" without taking strong measures in response, including direct threats to the U.S. mainland.

Yet Mr. Reagan and his hard-nosed colleagues insisted, in the teeth of these warnings, that Moscow would not "bargain seriously" until Pershing-2 and cruise missiles were deployed in Europe. And they insisted also that some U.S. missile deployment in Europe was necessary, in the apparent belief that the Russians were bluffing when they repeatedly declared that they could not accept the presence of U.S. nuclear weapons "only six minutes from Soviet targets."

This headless insistence may prove as big a mistake as U.S. development of multi-warhead missiles, or Soviet deployment of the three-warhead SS-20 in Europe, or both nations' refusal to conclude a comprehensive test ban treaty 20 years ago.

This latest mistake will have been made, moreover, despite the fact that the United States and NATO had, and thought they needed, no medium-range missiles in Europe from 1963 to 1977; that after the Russians began deploying the SS-20 in 1977, NATO voted to begin U.S. counter-deployment only in the event of unsatisfactory Soviet reductions in the number of SS-20s aimed at Europe; and that Moscow had offered in October to cut its missile force to "about 140" SS-20s with 420 warheads.

Had that offer, or something near it, been agreed to, the Soviet Union would have retained several limited lower medium-range missile warheads than it had from 1963 to 1977, when its monopoly of such weapons was accepted by the United States. The state of Soviet-American relations would have been improved, and allied governments in West Germany, Britain, Italy, Belgium and the Netherlands would have been relieved of the political burden of justifying U.S. missile deployment.

Instead of these salutary, if not perfect, results, what are the consequences of Mr. Reagan's insistence on deployment in Europe?

• The overall level of medium-range nuclear weapons in Europe will rise, owing not only to the introduction of U.S. missiles — perhaps up to the planned level of 572 — but because the Russians will now aim more of the modern SS-20s at the Continent. Ground-launched Soviet cruise missiles will also be deployed.

• Fulfilling its threat to menace America itself with medium-range missiles, as Pershing-2s in West Germany menace the Soviet Union, Moscow will deploy cruise missiles and depressed-trajectory ballistic missiles on submarines and surface vessels off both U.S. coasts. SS-20s aimed from the Siberian peninsula at Alaska and the U.S. Northwest are also likely.

• Both superpowers, when thus threatened by missiles only a few minutes' warning time from homeland targets, will come under heightened pressure to adopt a launch-on-warning defensive strategy, greatly increasing the danger of accidental war. The decision to fire or not to fire will be more heavily dependent on computers rather than human decision. And the temptation will thus be greater for a pre-emptive first strike by one side or the other.

• All this will take place in an atmosphere of deeper mistrust between Washington and Moscow than perhaps ever before, and with the Western allies probably torn by increasing internal pressures from their peace movements. Belgium and the Netherlands may break with the alliance on the missile issue.

While it is possible that negotiations for a new arms control treaty may now be folded into the current arms talks, the best time to have done that would have been before the Russians walked out. To resume the medium-range missile talks, either Washington will have to cancel deployment and withdraw the missiles already in Europe, or the Russians will have to back away from their declaration that it is "impossible" to continue the talks.

The United States did not alone produce this dangerous situation; the Russians precipitated it six years ago by deploying the SS-20. But Ronald Reagan made the judgment that the Russians would back down and allow the United States to deploy missiles on their borders. Now he owes it to the American people to explain, if he can, how their security has been improved by this new, needless round of the nuclear arms race.

The New York Times.

They author in terms are... But the reaction to... of risk involved in foreign lending... has far entanglement in another... (1980) when the current debt crisis... longer leading to potentially... the need was reversed in 1982... because the recent years have... of Third World debt defaults... almost before... than before... an international convention... enough of their country's... traditional conservatism... capital adequacy requirements... which want less stringency, and regulation... no question of further tightening the... excess capital by more than 15 times... have been discussed on and off since... surveillance of the capital to lending ratio... "prudential" fear is that overexposure... the needs of domestic industry... ready power. Banks think they cannot... because it rains relevant to domestic lending... should that the supervisory authorities... analyze the health of such plans as... and Dresdner Bank without access to... and the operations of their... Consequently, the new law, which... a worldwide accounts. The banks are... (about five years) and a higher... reason to pave the way for such... cannot be expected to bring lending... of time... much different from their countries...

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EUROMARKETS

A SPECIAL REPORT — PART II

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Part I Appeared
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Decline in Eurobond Activity
Tied to Drop in Dollar Issues

By Carl Gewirtz

PARIS — "Borrowers are cash-rich and investors are not so cash-rich, or have gone to other markets, like the stock market," said David Craig, deputy managing director of Morgan Guaranty Ltd., to explain the 7-percent decline in this year's volume on the Eurobond market activity.

Total sales in the first 10 months of the year, based on data collected by Salomon Brothers, amounted to \$38.5 billion, down from \$41.43 billion in the year-ago period.

The decline is due to a 15-percent drop in the volume of dollar bonds.

To two investors, fearful about the outlook for the dollar's exchange value and uncertain about whether interest rates are more likely to fall than rise, bankers resorted to sweeteners — partially paid issues or warrant issues.

But clearly one of the problems for the dollar market this year was an overoptimism on the part of bankers about what the market would bear — in terms offered and quality of issues.

As a result of overaggressive bidding for business, terms have too often been set too low to attract buyers. In part, this reflected overconfidence by the banks on the outlook for interest rates and the comfort they took from the fact that financing big inventory positions could be done profitably.

But the lead managers, in their effort to stabilize prices during the initial offering period, lost substantial amounts of money buying bonds at 98 when they could only be sold at 96. In at least one instance, one lead manager bought back \$10 million worth of bonds — 10 percent of the issue — within an hour of launching. In a number of cases, lead managers swallowed costs that totaled more than the entire underwriting and sales commissions.

The losses were partially masked because some investment banks make a policy of paying out at least half the underwriting fees, regardless of how much was lost in the stabilization effort. Others provoked the fury of their syndicates by paying out no fees. But to date no bank has dared to use its legal right to ask co-managers to pay a pro-rata share of the costs exceeding the front-end commissions.

As the co-managers have no say in how the stabilization effort is run and have no way to monitor at what price the paper is ultimately sold to end investors, it is unlikely they will ever be asked to pay more than their underwriting commissions.

Lead managers admit privately that the losses were sobering — sufficiently large to have tempered, at least temporarily, the willingness of many banks to bid for business at almost any price.

This is not a new problem for the market. When asked why they continue to get drawn into offering borrowers unmarketable terms, investment bankers admit that they are driven by fear: Fear of losing credibility as a major player in the market and fear that such a loss could cause them to lose traditional clients.

"We are a major factor in the U.S. market, we have a major client base in the United States. Therefore, we cannot not have credibility in a major dollar capital market like the Eurobond market," said one investment banker explaining why he fights to win business at uneconomic terms.

He and executives at other banks say that as long as there are some banks that seek mandates for reasons other than to make a profit — standing in the league table of most active issuers, unwillingness to lose a long-standing account to another bank — and as long as underwriting syndicates are used to swallow mispriced deals, the problem will never go away.

The overwhelming portion of the dollar sector was made up of classic straight bonds — what bankers call "plain vanilla" issues, lacking syrup, whipped cream or cherries to sweeten or prettify the offering.

A massive 30 percent of the dollar market volume was taken by banks. Their share of the market in all currencies was a heavy 23 percent. In light of the continuing worries about how banks will weather the Third World debt crisis the surplus of paper was itself taken as a sign of inherent weakness.

The bulk of the bank paper was in the form of fixed-rate issues — for the most part swaps into floating-rate loans at a cost significantly below the London interbank offered rate. According to Salomon Brothers, banks sold \$4.8 billion in fixed-rate dollar securities and \$344 million equivalent in other currencies.

The banks also continued to make heavy use of floating-rate notes, on which interest is set at a margin over Libor, the London interbank offered rate. In all, banks issued \$3.65 billion in dollar floating-rate notes and \$107 million equivalent in sterling.

In addition to too much bank paper, there was also too much French paper. French entities issued \$3.67 billion of floating-rate notes, equal to 37 percent of total FRN activity. Adding in another \$750 million of fixed-rate issues, the French accounted for 16 percent of total dollar issues during the first 10 months of the year.

Including the equivalent of \$2.4 billion of paper issued in other denominations, the French accounted for 24 percent of total market activity.

While the overabundance of French and banking issues may have caused investors to back away from the market, bankers agree that the main factor discouraging investors was the fear that interest rates would not fall substantially.

This concern found its expression in the explosion in the volume of floating-rate notes. In the first 10 months, \$9.9 billion worth of floaters

were sold, accounting for 35 percent of the dollar market's volume, up from 29 percent for all of last year.

Increasing amounts of money flowing into the floater market, resulted in ever larger deals. The European Community sold \$1.8 billion of FRNs, Sweden sold \$1.2 billion in January and another \$1 billion in November. In all, 15 issues of \$200 million or more were marketed.

Institutional investors are attracted to large issues, believing that size assures liquidity and marketability. Secondary market prices appeared to confirm this, with dealers quoting a spread of only 5-to-10 basis points between bid-asked prices, compared to 25-to-50 points on fixed-rate issues.

With the success of the jumbo issues for Sweden and the EC as well as large issues for various French state agencies and Denmark, the FRN market has become a substitute for the syndicated bank loan market — at least for the narrow end of high-quality borrowers.

FRNs for lesser rated governments are either flops — like Indonesia's — or disguised syndicated loans like Tunisia's recent Tunisian offering.

Governments and their agencies prefer the floater market to bank loans because the cost of money is significantly cheaper.

"It's highly appropriate... a healthy trend to remove banks as direct lenders to sovereign governments," said Stanislas Yassukovich, chairman of European Banking Co. in London.

"I don't think it's appropriate for banks to be making medium-term loans to sovereign governments because private banks... have no real ability to enforce their loans. Sovereign borrowers are fundamentally immune from legal enforcement."

"When investors buy bearer bonds they are basically taking pot luck, accepting that they are unlikely to ever be able to enforce their rights if the borrower decided not to repay them. That's always the way government financing has been carried out in the past, and is by far the healthiest way."

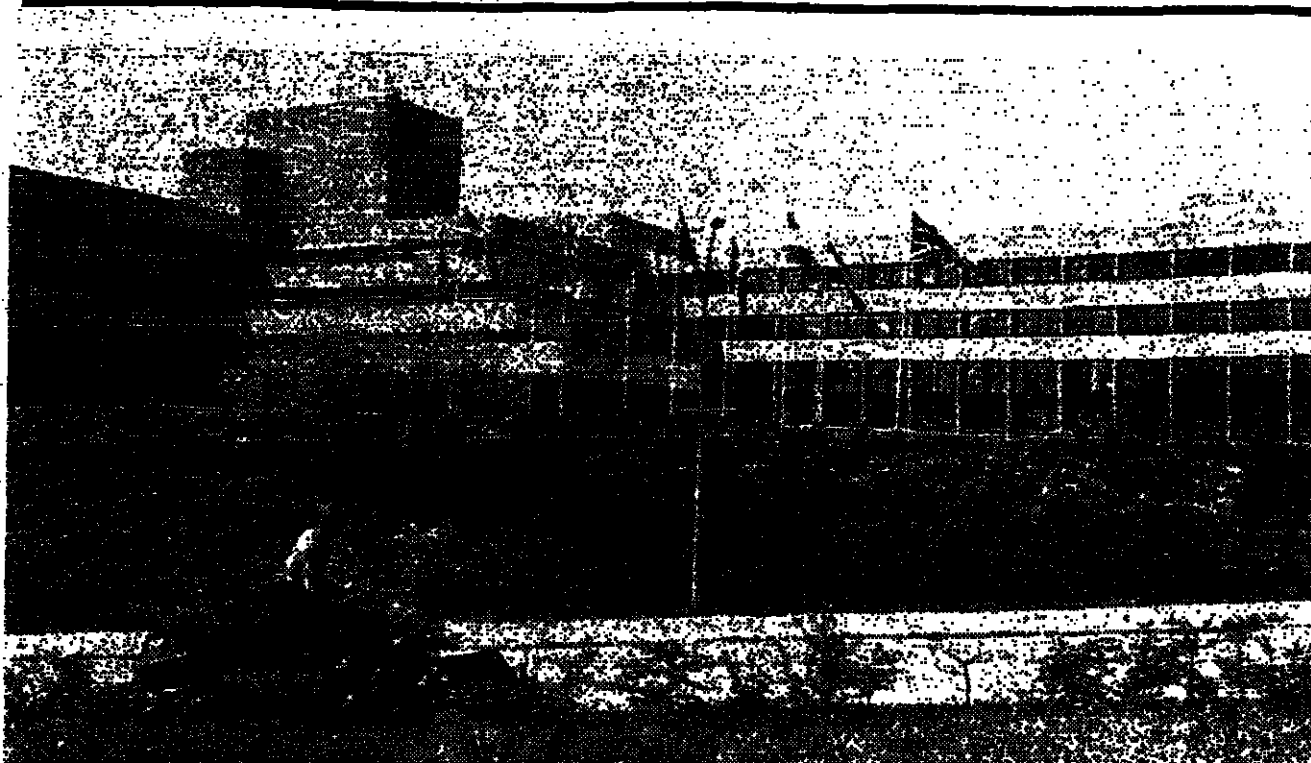
"Banks who are taking depositors funds should be investing those funds in self-liquidating transactions and not in loans to sovereign governments, which, if something goes wrong, they have no ability to enforce," Mr. Yassukovich said.

All that said, he does not see much possibility for Third World borrowers to tap the market other than as disguised bank credits.

Investor worries about the value of the dollar and the level of interest rates also found expression in the number of issues with so-called sweeteners. In all, about 30 percent of the straight dollar paper carried one kind of gimmick or another.

Early in the year, playing on expectations that

(Continued on Following Page)



The European Investment Bank headquarters in Luxembourg.

Luxembourg, Accepting Limits
To Growth, Seeks Consolidation

By Michael Mercatle

LUXEMBOURG — As a major financial center, Luxembourg is facing a hard-nosed banking reality: There are limits to its growth.

The need by banks to increase their provisions against bad risks, to squeeze more profitability out of slimmer margins and to offset the tax burden, have contributed to the new outlook in the Grand Duchy.

The maturity of Luxembourg as a center of Euromarket activities has gone hand in hand with a more critical appraisal of Euromarket lending, more stringent attitudes on the part of supervisory authorities and a slowdown in the pace of deposits or funds into the Euromarket banking system.

"Luxembourg is likely to remain a resilient and integral component of the Euromarket syndicated credit and bond mechanisms for the foreseeable future but there are limits to growth, everybody can see that," said Pierre Jaans, the director of the Luxembourg Monetary Institute, the unit that supervises banking activities in the Duchy.

Commercial bankers of the 115 or so banks operating in Luxembourg tend to agree with Mr. Jaans' assessment, conceding that a period of consolidation, at best only modest expansion, lies ahead.

"The more traditional lines of banking, which hitherto relied overwhelmingly on the wholesale concept, are shifting away toward a greater emphasis on private, or retail, business," said a senior executive at one of the 30 West German banks represented in the form of Luxembourg subsidiaries.

But, although the banking authorities are favorable to the concept of diversification and fostering efforts to ease the tax burden, the emphasis has remained on universal banking, providing customers with credit and underwriting services, as well as portfolio management, floating bonds and shares and general Euromarket lending and funding.

The 115 banks established in the Grand Duchy have certainly benefited from the concept, notching up an impressive collective balance sheet of more than 6 trillion Luxembourg francs at the start of this year. The total is staggering when compared with the end of 1968, when there were only 26 foreign banks operating in Luxembourg, with a total balance sheet of 90 billion francs, according to statistics from the Banking Commission.

The banks have also turned in an impressive profits performance, when measured over the years since foreign banking really got going in the Duchy two decades ago. Earnings before provisions rose 50 percent, to 56 billion francs in

1982, and expectations among commercial bankers are that 1983 profits will exceed last year's levels, albeit at a slower rate.

"After the meager years of 1979 and 1980, we have been wholly satisfied with our profit performance; earnings have been entirely within our expectations, thanks to a decline in short-term interest rates and an improvement in some of the margins charged on new syndicated Eurodollar and Eurocurrency loans," said a senior banker at one of the Nordic banking subsidiaries operating in the Duchy.

The West German banks, which were at the forefront of the Luxembourg Euromarket revolution 20 years ago, still form the largest national grouping with 30, followed by the Nordic banks with 14, Belgium and Luxembourg with 13 and the United States with nine. Here again there are signs that the number of operating banks has reached the saturation level, with the total hardly likely to exceed 120 in the near future.

The international emphasis of the Luxembourg banks, whose activities mainly embrace the various Euromarket sectors, is illustrated by the fact that more than 87 percent of total bank deposits are denominated in foreign currencies, with the bulk of activity centering on the inter-

(Continued on Following Page)

Third-World Debt Crisis Brings Shifts
In West German Position on Lending

By Brij Khindaria

GENEVA — In spite of its large economic clout within Europe, West Germany remains a quiet participant in international finance and its banks have further withdrawn into their shells in reaction to the Third World debt crisis.

The reaction is exaggerated because the crisis has not brought any significant shocks for West German banks and whatever changes the regulatory authorities in Bonn are drafting to banking laws have their genesis in jolts that came earlier, such as the Herstatt Bank collapse of June 1974. But the reaction is understandable because of the undeniably higher level of risks involved in foreign lending.

Banks fear entanglement in another low profit cycle as occurred in 1979-1981 when the current debt crisis took shape. Earnings fell because of overlevered lending to potentially shaky customers at razor-thin margins.

The trend was reversed in 1982, less because of belated banking wisdom than the fall in interest rates orchestrated by the Bundesbank, which allowed banks to borrow much more cheaply than they lent. It also allowed them to collect even larger margins on short-term loans although the overall interest rates were lower than in previous years.

But margins are again thinning out as interest rates settle down to actual market trends and borrowers, already overburdened with intolerable debt levels, tighten their belts.

The largest banks — Deutsche Bank, Dresdner Bank and Commerzbank — hit record profit levels in 1982 and expect high levels in 1983 as well. In spite of their increased prudence, 1984 should also be a good year because of economic recovery and revival of domestic business borrowing.

But bank shareholders are unlikely to see lucrative dividends for some time mainly because the recent lean years have depleted bank reserves and the risk of Third World debt defaults is forcing banks to build larger hidden reserves than before.

Although almost every loan issue involves dozens of West German banks in international consortia, the banks are not as active as the potential strength of their country's economy would merit.

Apart from traditional conservatism and fears about sovereign lending risks, West German banks are held back in their Euromarket activity by stringent capital adequacy requirements. The heated argument between the banks, which want less stringency, and regulatory authorities is tilting in favor of more regulation.

There is no question of further tightening the requirement that lending should not exceed capital by more than 18 times. But there is question of enforcing it on foreign lending as well. Revision of West German banking laws, which have been discussed on and off since the early 1970s, is now moving toward much more disclosure of international lending, thus ensuring surveillance of the capital to lending ratio.

The legislative fear is that overexposure abroad will siphon money away from the needs of domestic industry either into hidden reserves, or into foreign debt rescheduling, or simply into bank collapses that will leave everybody poorer. Banks think they cannot compete for international business if ratios relevant to domestic lending have to be applied worldwide.

Yet, it is absurd that the supervisory authorities should be expected to intelligently analyze the health of such giants as Deutsche Bank, Commerzbank and Dresdner Bank without access to information about their international lending and the operations of their foreign subsidiaries and affiliates. Consequently, the new law, which could come into operation sometime next year, if approved by parliament, will require that banks submit consolidated accounts. The banks are asking for a transition period of at least five years and a higher than 18 times foreign lending to capital base ratio to pave the way for such accounts. Even the regulatory authorities know that the banks have already lent far beyond this ratio to foreigners and cannot be expected to bring lending in line to the ratio in any short length of time.

This kind of controversy is not unique to Germany nor are the views of the protagonists much different from their counterparts in other coun-

tries. But how the controversy is resolved in Germany will influence the role of West German banks in Euromarkets and foreign lending.

Foreign borrowers are already becoming ambivalent in their attitude toward West German financial markets as economic recovery takes hold in the traditional strongholds of the United States and Britain. Since Eurodollars seem to hover around Frankfurt, it can never really lose its glitter for borrowers.

But if West German banks cannot aggressively seek new business, the flow of loyal customers will not be enough to prevent Switzerland, Luxembourg and London from increasing their shares of Euromarket activity.

The threat from London is especially potent. The City of London is already gearing itself for no-holds-barred competition for Eurofunds since service exports are vital for Britain now that its industrial goods have lost their competitive edge.

There is little doubt that West German bankers, like West German manufacturing companies, are good fighters offering quality and reliability that once tested by customers tends to hold them. But the fact remains that in these times of dwindling world liquidity the battle for first time clients flush with funds is relentless.

Frankfurt emerged as a key Eurofunds market because of surplus dollars in the inflationary 1960s and consolidated its position as a consortia leader during the 1970s when petrodollars were flooding Euromarkets. Its best customers were the Arab Gulf states, which wanted to diversify their interests out of the United States and Britain.

Frankfurt got an additional boost after the United States froze Iranian funds during the hostage crisis. But fears remained that Germany is too close a United States ally to disobey Washington if push really came to shove in a new Mideast crisis.

Then, in 1982 and 1983 there were major changes in supply of money available for outlending through Euromarkets. The oil-rich states have less money and are more jittery about placing it in West German rather than United States hands.

Despite unpleasant suspicions about likely United States high-handedness with Arab money in a new Mideast crisis, the wealthy Gulf states feel their political and security interests are too closely tied to the United States for them not to trust their chief ally with their money.

"If the days of huge surplus funds return, the states may again place more emphasis on diversifying to Frankfurt but right now they seem to prefer keeping their marbles with their main protector," said a Frankfurt-based portfolio manager. With New York's aggressive offshore bankers trying to break into Euromarket deals Frankfurt's growth seems bound to slow down, he added.

But the Germans may still deal themselves a winning hand by reviving their domestic economic miracle and making investing in Germany more attractive because of better medium- and long-term average earnings than elsewhere. The problem for Frankfurt is not that London and New York are growing but that its financial dominance of continental Europe may be eroded.

Political and economic factors will play a crucial role. If the placement on West German territory of the Pershing and Cruise missiles push the Soviet Union to actions that heighten East-West tensions, Germany's financial market place will be the first to suffer. Apart from providing Arabs with an alternative to the United States, West German banks led the field in making détente a reality by helping to finance Eastern European investment programs. If East Europeans reduce their links with European bankers under pressure from the Soviet Union, then West Germany will have paid a heavy price for the little bit of extra security brought by the new United States missiles.

The silver lining to this approaching cloud is the right-of-center coalition government of Helmut Kohl, after 13 years of a left-of-center government that lost the confidence of bankers in the early 1980s. Where the previous government seemed incapable of handling the problems of recession, unemployment and tense political relations with the East, Mr.

(Continued on Following Page)



Striking workers at the Lenin shipyard in Gdansk, Poland, kneel to pray during the 1980 disturbances.

West's Recession: Direct Effects on East
Interrelationship Held Vital to Preserve Stability of Communist Economies

GENEVA — East European economies have been heavily affected by the Western recession and are looking toward a U.S. economic recovery for leadership out of economic troubles with the same eagerness as America's Western allies.

While a slowdown hurts every economy, the damage to East European economies is more potentially disturbing because the ruling regimes owe their security to power rather than acceptance by the people. Failure to deliver even slow doses of prosperity to people could create the kind of social and labor tensions that rocked Poland and lie just a short step away from the surface in several other East European nations.

It is this fear of uncontrollable domestic instability that prompts East European governments to maintain healthy trade and economic links with the West. The need to prevent these countries from sliding into disorder is the main pillar underlying West Germany's *Ostpolitik* and the frequent lifts between West Europeans and the United States over trade sanctions against the Soviet bloc.

Although the representatives of East European nations in Geneva are reluctant to admit it, the short-lived U.S. trade sanctions of recent years — such as the grain embargo

and ban on exports of oil technology — hurt the Soviet Union.

Trade officials from various international organizations in daily contact with the East Europeans said that the Soviet Union made a point of honor of delivering oil and gas to Europe on schedule by January 1984 despite the U.S. measures. "It's a costly point of honor, however, because the Soviet Union has had to divert enormous financial and manpower resources from other important economic activities to creating its own technology to offset the absence of U.S. and Western technology for the pipeline," one official said.

In the medium and long terms, the Soviet Union may gain advantage from the oil technology embargo because it was spurred into greater self-reliance. But it originally decided to buy Western technology to focus its own resources on other areas considered more crucial such as defense and agriculture. Planned achievements in those areas may have been set back temporarily, hurting the Soviet economy as a whole, the official said.

Perhaps the strongest argument against technology and trade embargos is the negative impact on the East European camps' capacity to borrow Western funds and to repay them. "Perhaps the most potent meth-

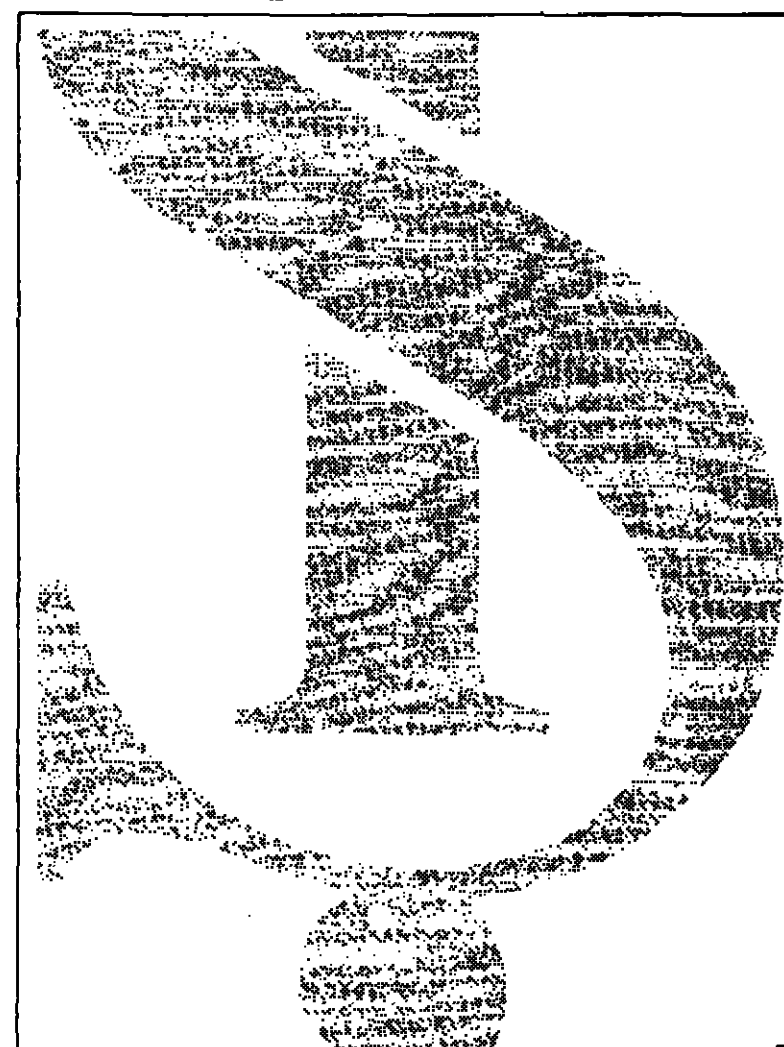
od of forcing the state-run Eastern economies to diversify is to tie them more closely to the Western financial system," an official said.

The best ways to tie the East European economies to this system are to expand exports to them, forcing them to use Western financial markets for credits to lubricate that trade. Of course, the risk of overdoing things remains. For instance, allowing Poland to run up nearly \$30 billion of debt was imprudent. But so long as normal caution is observed in dealing with each East European country, the area as a whole can be brought into such close interrelationship with Western economies that the East European economic system may become less suffocating for individual citizens.

In contrast, some North Atlantic Treaty Organization economists and members of President Ronald Reagan's administration feel that the East European and Soviet systems are "hostile" and should not be bolstered through Western technology, trade and finance.

Soviet claims that the communist system is unaffected by changes in Western economies are belied by figures compiled by both the General Agreement on Tariffs and Trade and

(Continued on Page 12)



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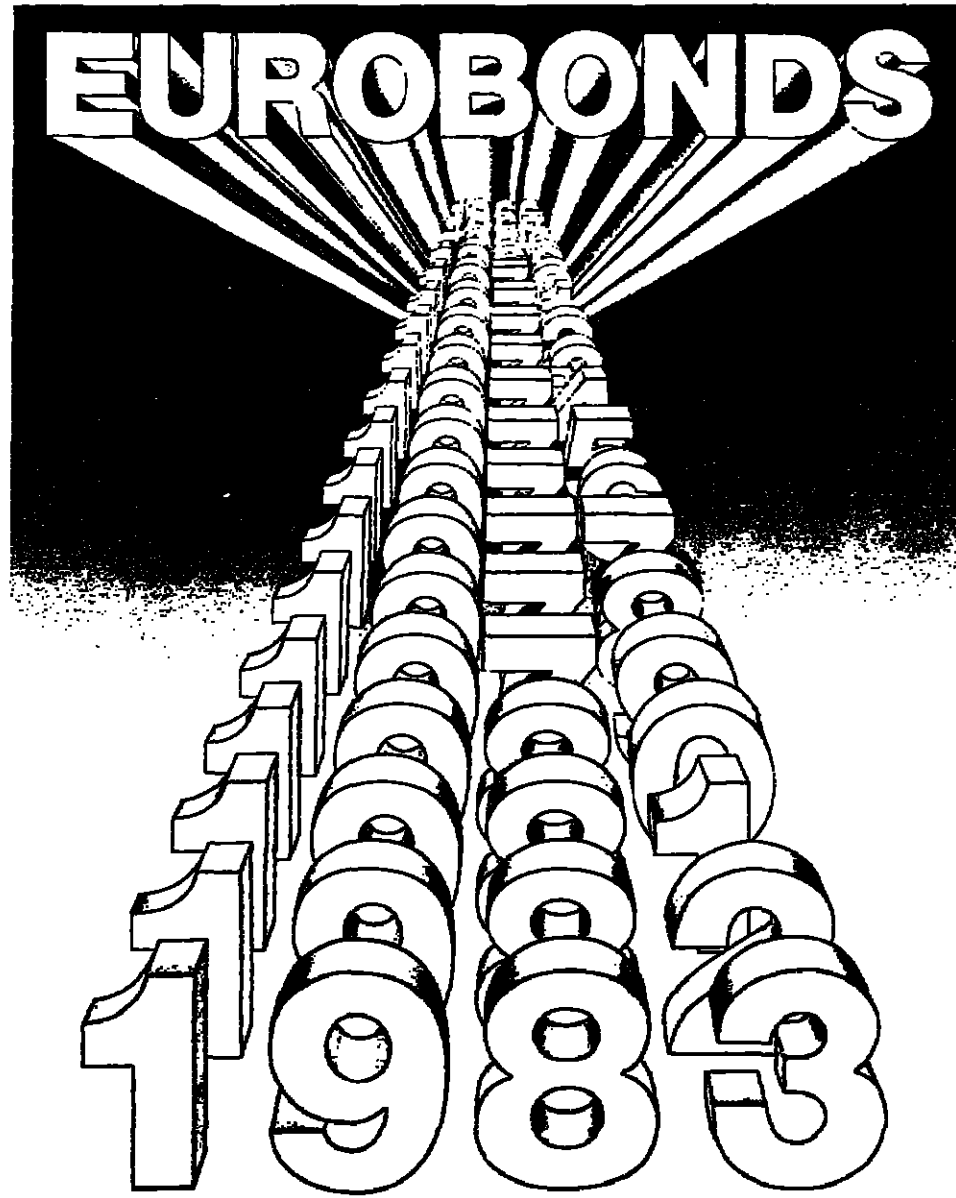
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EUROMARKETS

Decline in Eurobond Activity

(Continued From Preceding Page)

the dollar would sag, the market was glutted with partially paid issues where investors had only to put down a fraction of the purchase price. The theory was that the remaining commitment, for nondollar investors, would be less costly in the foreign exchange market.

But the price investors were asked to pay for this option — as expressed in the terms of the underlying bond — came to be viewed as too high, and another Eurobond fad died.

Bonds with warrants, offering investors a play on interest rate expectations, remained popular, although many analysts question the real value to investors. These warrants give the right to buy fixed-rate securities of the same issuer for the same maturity but bearing a lower coupon than the issue to which they were attached.

There are two hitches: Interest rates would have to drop substantially to make it attractive to buy the warrant-bond, and if that happened the original bond to which the warrant was attached could be called.

The warrants offer a reasonably inexpensive way to speculate on a decline in rates. An additional attraction of the warrants is the relatively long four-year life. If interest rates do drop, the value of the warrant will not doubt rise.

The problem is that the original high-coupon bond, in almost all cases, is callable at par at the expiration of the warrant life. If the warrants are all exercised and the borrower does not need double the money, the original issue will be called. In addition, not all of the profit to be earned through the warrant is pure gain.

Had the investor bought a noncallable 11% percent bond and interest rates dropped, the

bond would appreciate in value. But that will not happen in an issue that can be called.

While borrowers have used warrant issues as a means to reduce the terms they have to pay to float current fixed-rate debt, they are also running an additional risk. The warrants have a four-year life, but there is nothing stopping investors from exercising them earlier. Thus, a borrower who sold \$100 million of seven-year bonds and warrants to buy an additional \$100 million of lower coupon seven-year bonds could wind up paying interest on \$200 million if the warrants are exercised early.

In addition, investment banks offered warrants to buy U.S. Treasury securities and Salomon Brothers has expanded the concept to include puts and calls on sterling and Deutsche marks.

The price of these offerings are generally significantly more costly than if investors had bought puts or calls in the Chicago, Philadelphia or New York financial futures markets. On the other hand, there is a certain convenience in having the contract packaged to suit European needs.

Even more important, this package is listed on a European exchange and the price movements can be followed during the European workday.

There is no way of knowing how much of these option packages have been sold. Only the issuing house knows for certain and none of them are talking. But reliable sources report that very few of these offerings have been sell-outs.

Overall, the dollar market dwarfed the other sectors with \$28 billion worth of paper issued in the first 10 months of the year.

The volume of paper denominated in Europe-

an Currency Units, sterling and Deutsche marks rose sharply. But these three sectors together, accounted for only 21 percent of total volume.

The volume of issues denominated in ECUs more than doubled while Euro-sterling issues climbed almost 80 percent and Deutsche mark issues 26 percent.

The 148-percent increase in ECU paper, to the equivalent of \$1.36 billion, is attributed to a number of factors: the increasing use of the ECU by Common Market institutions, a growing and better organized interbank market, greater commercial use of the ECU by companies and, of course, investors wary of buying dollar bonds at a time when the cost to buy dollars looks historically expensive.

Especially appealing to ECU investors is the coupon level of 11 percent, which is about 3 percentage points more than can be earned by buying Deutsche mark bonds and 2 points more than guilder bonds pay. In exchange for this higher yield, investors accept an exposure to the French and Belgian francs and the lira.

The near-doubling in sterling-denominated issues, to a total of \$1.32 billion, reflects the hunger of foreign banks in Britain for sterling assets now that their former bread-and-butter business of lending to local authorities has passed to a government-operated pool. In addition, sterling appeals to investors who view it as likely to appreciate as world demand for oil picks up.

The DM sector, despite the decline in coupon levels to 8 percent, recorded a 43-percent gain with volume so far this year totaling the equivalent of \$5.5 billion. But the DM's market share is still well below the record 37 percent it set in 1978.

Luxembourg Hardens Stance on Loans

(Continued From Preceding Page)

bank market, the major funding source for Luxembourg syndicated credits and loans.

In the interbank market, two currencies — the U.S. dollar and the Deutsche mark — dominate proceedings. According to the banking commission, the two currencies account for 41.5 percent each of total bank assets in Luxembourg. On the liabilities side of the balance sheet, however, the dollar accounts for more than 50 percent of total bank liabilities, far outweighing the mark's 30 percent.

"It is true to say that dollar-denominated liabilities overshadow those of the mark, but compared to the rest of the Euro market, the Grand Duchy's banks hold more than 30 percent of the market's Deutsche mark assets," said a senior Luxembourg Finance Ministry official.

The mark assets highlight the importance of the West German banks in the Luxembourg interbank market, where they account for more than 50 percent of the transactions. The Swiss banks, in turn, serve as the main sources of funds to the market, while Nordic banks are the chief receivers, acting on behalf of domestic corporate clients, mainly located in Sweden.

The conduits into which funds from the international market in Luxembourg are channeled are unlikely to change in the foreseeable future, bankers in the Grand Duchy remarked, though they expressed some apprehension over the role of the Deutsche mark in future funding. Will the mark, together with the substantial influence the West German banks exercise, continue to have the upperhand, or will the dollar gain at the former's expense, they asked.

Whereas the dollar still dominates the Euro-markets with a share of around 70 percent, Luxembourg is the traditional center for the Euro-markets because of its influence running in tandem with the West German banking presence. But in terms of overall Eurobond funding, Luxembourg banks saw their issue participation fall last year to 16.3 percent in volume terms from 21.8 percent in 1981 and there are few signs of this decline halting during 1983.

The question a lot of bankers operating out of Luxembourg ask today is whether they should come to terms with the fact that more bonds than hitherto are being denominated in dollars

and switch their source of funding away from Deutsche marks, at the expense of perhaps irrevocably weakening a market that has been traditionally strong.

A lot depends on the future strategy of the West German parents in centers like Frankfurt and Düsseldorf and the attitude of the German banking supervisory authorities. If, as now appears certain, the informal "gentlemen's agreement" on applying capital ratios to German banks outside West Germany is turned into law by the end of next year, will the parents continue to find it convenient to allow their Luxembourg units to pursue such a high profile when their capital to assets ratio is tightened to correspond to the level prevailing in Germany?

Another question on the horizon is whether the Luxembourg authorities will relax their position on the taxation of provisions, a matter of concern to banks at a time when their provisions against risk loans have skyrocketed. At present, Luxembourg banks are not permitted by the fiscal authorities to form tax-exempt provisions against sovereign risks or, in general terms, with tax-exempt provisions of only 1.5 percent on unsecured credits. It is not only the West German banks that have expressed irritation at the apparent intractable slowness of the tax authorities to treat them more generously.

The creation of the Luxembourg Monetary Institute this year, replacing the supervisory functions of the banking commission and bearing many of the trappings of a central bank — handling liquid reserves of the government and holding external assets of the country — is also leading some bankers to ask whether regulatory channels will be tightened up. "Will the fact that the institute will impose ratios on banks' domestic lending volume in order to regulate domestic liquidity lead to a general tightening up, perhaps the imposition of mandatory minimum reserve requirements?" a commercial banker asked.

The authorities — and the commercial banks — are only too aware that the creation of stringent statutory banking controls would remove one of the basic foundations of Luxembourg's attractiveness as a banking center, its liberal banking climate. To dismantle it would deal a blow to the Grand Duchy's financial resources. The banking sector, according to Finance Minister Jacques Santer, employs 8 per-

cent of the country's 141,000 labor force and holds a key position in strategic economic and financial planning.

Other disconcerting signs are prompting the authorities to enact measures to encourage foreign banks to remain and to expand in Luxembourg. Firstly, while the Grand Duchy retains its No. 3 slot behind London and Paris in terms of assets and liabilities on the Euro market, its share of the total market has fallen to its lowest levels since 1975. London has, in turn, gained from the declining share of the Grand Duchy. Secondly, the setting up of International Banking Facilities in the United States to encourage offshore centers there could deter potential banks from opening in Luxembourg. "These two factors are giving us cause for concern; we can't deny that," a senior Finance Ministry official said.

To sweeten the palate of banks already in business, and perhaps to draw potential new ones, the authorities are promoting diversification into new financial outlets. Retail banking is one. "We are trying to develop a stronger private customer base in the Grand Duchy, hoping in the process to compete in some respects with that of Switzerland," the official said.

Silver trading is following the path of gold by becoming exempt from sales and turnover taxes in Luxembourg. The Luxembourg Bourse is being encouraged to expand its business in the secondary Eurobond market and to draw a greater influx of foreign companies seeking share listings. Double taxation treaties — an area where Luxembourg has lagged behind its European partners — are on the increase, and the market in certificates of deposit is being actively promoted.

Moreover, in the field of insurance, investment funds and holding companies, the authorities are eager to create the right legal and taxation climate, if they have not already done so, to draw potential settlers and help diversify the financial market.

If the heady days of unbridled Eurobond expansion are a thing of the past for the Luxembourg banking and financial sector, then with the passing has come a sober realization by the authorities and commercial banking community alike that Luxembourg must take its place in the pecking order of the Euro-markets and also ensure that it stays there.

Third-World Debt Crisis Brings Shifts in West German Position on Lending

(Continued From Preceding Page)

Kohl's government seems to have enough of a business consensus behind it to address at least the economic problems. The United States recovery is also helping.

"The overall thrust of Mr. Kohl's government seems about right," said a Bundesbank economist. Mr. Kohl wants to cut government spending, which rose from 40 percent of gross national product to more than 51 percent in 1982. He has also begun reforms to increase the share of profits in national income by letting companies not only earn more but keep more of what they earn. Meanwhile, the Bundesbank is trying "to find the magic monetary formula needed to revive the economy without fueling inflation," he added.

But an economy that exports more than one-third of its GNP cannot

address its domestic problems in isolation. A sneeze by the United States is enough to send a tremor through the West German economy although being a member of the European Community — the huge market on its doorstep — does help to cushion the shock a little.

The best estimates put West German economic growth at a little over 1 percent in 1983 and around 2 percent in 1984 provided that the United States economy does not overheat and spark a new international inflationary spiral. That should be enough to keep the banks in excellent health and to allow their Eurobond activity to expand satisfactorily if no sudden changes have to be made in foreign lending to capital ratios.

Deutsche Bank remains a leader in international bond issues with Commerzbank, which is Germany's fourth largest commercial bank, snapping at its heels from a reassuring distance.

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EUROMARKETS

Deutsche Mark Eurobond Market Continues to Attract Major West German Banks

PARIS — West German banks traditionally engender a curious, even baffling, paradox in their composite Euromarket profile. Whereas in recent years they have been conspicuous by their virtual absence in the Eurocredit sector, their strong presence in the Eurobond market has more than compensated for their low profile in the international syndicated loan arena. Ask any commercial banker what Euromarket sector he associates most with the West Germans, and he will come up with the word Eurobonds.

The preponderance need hardly come as a surprise. Factors behind the seeming disparity hinge on the West German banks' involvement in, and development of, Luxembourg as a major international Euromarket center.

The Germans were first to see the advantages of setting up shop across the border just two decades ago. The relaxed banking regulations, such as the absence of minimum reserve requirements, the in-

creased scope for wider profit margins and its central Western European location made Luxembourg the ideal place for German banks eager to set up subsidiaries to channel their Euromarket activities. With closer banking supervision, particularly the move toward consolidated accounts in order to encompass Luxembourg-booked loans in West German bank reports, coupled with lower yields and tighter interest margins, has come a growing realization that Luxembourg is not the sole place for transacting Euromarket business.

Other factors are at play. The international debt crisis, sovereign risk problems and increased debt rescheduling, particularly in Eastern Europe and Latin America, have combined to make German bankers balk at fostering their presence in the Eurocredit market. And their wariness is borne out by statistics.

In the first nine months of this year, new syndicated Eurocurrency

credits reached the equivalent of \$29 billion, a sharp contraction on the \$79.6 billion lent out in the corresponding 1982 period. According to the Bank for International Settlements, the downward trend continued steadily throughout the first three quarters: \$13.2 billion in the first quarter, \$10 billion in the second, and \$6.6 billion in the third.

The picture in Eurobonds reflects a different story. The volume of issues on the Eurobond market shows every sign of surpassing last year's record of \$41.43 billion equivalent — based on data collected by Salomon Brothers — a sharp rise on 1981's \$24-billion volume. As the market in Eurobonds has grown, so has the presence of the West German banks, and this factor alone may go a long way to explain the relationship. As one German banker put it: "We like the Eurobond market; it's a growth sector, issues are generally safe, and we mean to stick with it."

Within the Eurobond market, although the dollar in 1982 main-

tained its position as leading international loan currency with a share of 82 percent, bonds denominated in Deutsche marks doubled their share from 5 percent to 10 percent, according to the 1982 annual report of Dresdner Bank. West Germany's second largest commercial bank after Deutsche Bank. "Under the favorable influence of declining interest rates, the volume of new DM foreign bonds rose sharply to DM 11.5 billion from only DM 4.9 billion in 1981," the report said.

The German bank went on to say that in 1982 it recorded its largest volume and also highest earnings in the Eurobond business since the creation of the Eurobond market. "Out of a total of 101 foreign bond issues our bank was lead manager in 15 cases and co-manager in 41. In virtually all other cases we were a member of the underwriting syndicate," the Dresdner report added.

The major German bank accounting for the success of turning the Deutsche mark Eurobond market into a thriving area is Deutsche Bank, the largest of the market-

makers in Frankfurt. West Germany's financial capital. Its presence — and weight — in the market make it the first choice to lead manage most supranational Deutsche mark borrowers such as the European Investment Bank and the World Bank, when they decide to enter that sector of the Eurobond market.

But it is in the international Eurobond league that Deutsche Bank pre-eminently has scored some of its biggest hits. Rankings for the first half of 1983 showed that Credit Suisse First Boston and Deutsche Bank — in that order — were at the top both in terms of the number of issues and the amount. Statistics compiled by Luxembourg's Kredietbank show that Credit Suisse First Boston led and co-managed a total of \$14.2 billion in Eurobonds during the first six months of 1983, followed closely by Deutsche Bank with \$13.9 billion.

While the five largest U.S. banks led one-third of all Eurobond transactions in 1982, largely due to

their clients' attraction to the Euro-market where interest rates and yields were most favorable, Credit Suisse First Boston and Deutsche Bank led the overall sweepstakes, with the German bank, in particular, enjoying the advantage of its access to issues in Deutsche marks and Swiss francs.

Despite inducements by the Bundesbank — West Germany's central bank — the German domestic and Eurobond market cannot escape the pull of New York, where fluctuations in the market are monitored closely. "Investors are for the most part staying in Eurodollar bonds; the returns are good on the whole and the strong dollar is keeping prospects favorable," a West German bond dealer at one of the major banks said.

In the first half of this year those investing in U.S. and Canadian dollar bonds earned 6.8 percent and 9.9 percent respectively, according to data from the fixed-income research department of Salomon Brothers. By contrast, returns

from Deutsche mark, Swiss franc and Dutch guilder Eurobonds were negative at minus 3.3, minus 3.2 and minus 7.1 percent respectively. The appreciation of the U.S. dollar against these and other European currencies goes a long way to explaining the lure of investors to the Eurodollar bond sector.

Apart from Deutsche Bank, other German banks with a firm foothold in the Eurobond market include Dresdner Bank, Commerzbank, Westdeutsche Landesbank, DG Bank, Bayerische Vereinsbank and Berliner Handels- und Bankbank. In contrast to the Eurodollar bond market, the Euro-Deutsche mark sector is regulated under the auspices of the West German Capital Markets Subcommittee, composed of representatives from the major German banks, and scrutinized by the Bundesbank.

The subcommittee generally meets once a month to agree on a formal issue calendar, with issue managers discussing their planned

borrowings, their respective volumes and issue dates. The motivation behind the meetings is to ensure that the market is not flooded with too many issues at any one given time and that banks that are not members of the subcommittee are also given preference.

The Euro-Deutsche mark sector has drawn quality borrowers, with sovereign and supranational issuers keen to tap a market where foreign institutional investors or central banks are prepared to accept a relatively lower payout in return for a risk-free investment to augment their portfolios with a given proportion of mark-denominated securities.

Recent quality names tapping the Euro-Deutsche mark sector include Finland, which raised 150 million marks through a seven-year offering priced at par and bearing an 8-percent coupon, and the Council of Europe's 150 million par issue at 8 1/4 percent over 10 years.

—MICHAEL METCALFE

Despite Current Records, Downward Pressure on the Dollar Is Expected Next Year

By John Presland
LONDON — This has been the year of the dollar. Against the new universal expectation of currency analysts that the fast-growing U.S. current-account deficit would force dollar depreciation, the dollar soared in August to a 9 1/2-year high against the Deutsche mark and to record levels against the weaker European currencies. But the factors that have promoted high capital inflows into the United States and offset the growing trade imbalance are weakening. The dollar will not be able to continue its performance in 1984.

The U.S. current-account deficit will widen further, exerting downward pressure on the dollar. Imports will continue to rise as domestic demand recovers while exports remain depressed because of Third World spending cutbacks and overvaluation of the dollar.

Current forecasts point to a \$65-billion trade deficit in 1983, far in excess of 1982's record \$42.7 billion, and to a massive \$100-billion shortfall in 1984. With the inevitable surplus declining, that implies current-account deficits of more than \$30 billion this year and more than \$65 billion next.

Meanwhile, the high level of capital inflow that has kept the dollar firm in 1983 is likely to decline in 1984; the current and capital accounts will balance only at a lower dollar exchange rate.

Portfolio capital inflow into the United States has been boosted by international investors, in response to increased world financial and political risks, increasing the proportion of their portfolios placed long term in U.S. assets; this portfolio adjustment process appears to be nearing completion.

Short-term factors prompting portfolio capital inflow are also weakening. Wall Street's recovery, fired bull market spurred net foreign purchases worth \$1.8 billion in the first half of this year (\$2.3 billion in all of 1982) while high yields attracted net foreign bond purchases of \$4.5 billion (\$3.3 billion). Slower U.S. economic growth in 1984 while recovery picks up abroad will reduce the attractions of U.S. equity markets. And interest-rate support for the dollar will also diminish.

The fragility of the international financial system remains a major concern of the Federal Reserve and, as the Fed chairman, Paul A.

Volcker, has publicly acknowledged, resolution of the international debt crisis requires sustained economic recovery and lower U.S. interest rates. With presidential campaigning getting into full swing from the spring, domestic political pressure on the Fed to maintain the recovery will be intense. Tightening of U.S. monetary policy and significantly higher U.S. interest rates are thus unlikely next year. And real interest rates will be eroded by higher inflation — technical monetarists argue that the last year's 14-percent M-1 growth makes inflation of 7 to 9 percent inevitable by the end of 1984, and Keynesians, too, expect recovery to produce faster price rises.

More important than portfolio capital inflows in supporting the dollar has been the impact of the debt crisis on U.S. banks' foreign lending. Net banking outflows from the U.S. amounted to more than \$40 billion a year in 1981 and 1982 but fell to \$5.3 billion in January-March and turned to a \$4.7-billion inflow in the June quarter. That \$10 billion swing was more than enough to counteract the increase in the current-account deficit from \$3.6 billion to a record \$9.7 billion.

The continued low level of banks' foreign lending remains the dollar's principal support but this is likely to weaken in 1984. Swings in banking flows large enough to offset continued current-account deterioration are improbable; participation in IMF rescue packages for Third World debtors is likely to restore U.S. banks to being net lenders of long-term capital abroad.

Political worries will give the dollar uncertain support. As the Grenada invasion and Lebanon crisis have recently reaffirmed, investors continue to regard the dollar as a safe haven in times of international tension. Further worsening of East-West relations after the installation of new U.S. nuclear weapons in Europe is likely to help the dollar. But domestic political uncertainties as the November elections approach are unlikely to be helpful.

The major beneficiary of dollar weakness is likely to be the yen, which could end 1984 close to 190 to the dollar. The measures to promote yen internationalization announced during President Ronald Reagan's visit to Japan will be slow

to take effect but the currency is underpinned by a current-account surplus running at \$2 billion a month and forecast by the National Economic Research Institute to rise from \$28 billion this financial year to \$46 billion in 1986-87. And, though former Prime Minister Kakuei Tanaka's conviction for bribery has created short-term political uncertainties, these are likely to be dispelled by a December general election.

Japanese export volume and export orders are now both running 10 percent higher than a year ago, fueling expectation of 3 1/2 percent export-led economic growth in 1984. Inflation averaging 2 percent this year and unlikely to be higher next year will keep exports competitive. Acceleration of Tokyo Round tariff cuts and other import-promoting measures promised in the October economic package are unlikely to make a significant dent in the trade surplus. Yen-depressing long-term capital outflow is, meanwhile, expected to decline from the unusually high levels of 1983, when foreign bond purchases have been running at an annual rate of more than \$12 billion and overseas bank lending at a rate of more than \$8 billion. And foreign portfolio capital inflow into Japanese equities will be supplemented by the proceeds of "Naksona" bonds, government bond issues denominated in foreign currencies.

Current-account performance contrasting with that of the United States will back Deutsche mark appreciation in 1984 to around 2.30 to the dollar at year's end. This year there has been a reduction in the German trade surplus (from 36 billion Deutsche marks in January-September 1982 to 30.4 billion marks a year later), reflecting the impact of austerity policies in Germany's major European export markets, but a reduced invisibles deficit means the 1983 current-account surplus should at least equal last year's 8.6 billion marks. The expectation of 8-percent export growth reported in a recent business confidence survey may be overoptimistic, but the five major German economic research institutes' forecast of a larger current-account surplus in 1984 is realistic.

After what it now sees as excessive easing earlier in the year, the Bundesbank tightened its monetary stance in September when it raised key interest rates by half a point to reduce credit demand and bring monetary growth close to its target of 4 to 7 percent for the year from October to December 1982. A similar target is expected to be set for 1984 and the tightness of German monetary policy relative to that of the United States will join with higher U.S. inflation — German consumer prices are unlikely to rise faster in 1984 than 1983's average 3 percent — to erode the trans-Atlantic real interest rate differential. Bundesbank restraint on foreign Deutschemark bond issues, the reduced needs for balance of payments financing of Germany's EC neighbors reduce and a slowdown in OPEC countries' liquidations of their Deutsche mark holdings will combine to reduce capital outflows.

A weaker dollar in 1984 will increase the tensions within the European Monetary System as investors transfer funds from dollars into the Deutsche mark and the Dutch guilder rather than into the weaker member currencies.

The threat of political unrest generated by the austerity policies of the Dutch prime minister, Ruud Lubbers, austerity policies will de-

press guilder sentiment temporarily. But a compromise on spending cuts is likely to be struck with unions and good economic fundamentals — inflation at 3 percent and a current-account surplus officially forecast to reach 17.5 billion guilders in 1984 after 12 billion guilders this year — will let the guilder share in the mark's appreciation within the EMS.

French austerity measures cut the country's trade deficit to 39.7 billion francs in January-September, from 73.5 billion francs in the same period last year, and the official full-year target of a shortfall of 60 billion francs is well within reach. But a deficit of 20 billion francs is more likely in 1984 than the officially projected 7 billion francs, and inflation will fall from 9 percent in 1983 to 7 percent, rather than the targeted 5 percent. The loss of competitiveness relative to Germany that this implies will force a French franc devaluation in 1984, but withdrawal from the EMS, favored by a minority current in the ruling Socialist Party, is most unlikely.

Italy's trade deficit has also shown a sharp improvement in

1983, with the deficit falling to 8.2 trillion lire in January-August after 11.6 trillion a year earlier. The Bank of Italy is now forecasting a current-account deficit of 2 trillion lire, after 1982's 7.4 trillion lire. But Prime Minister Bettino Craxi's strategy for reducing inflation from 13 percent this year to 10.5 percent next — and the long-term survival of his coalition — is in doubt after the parliamentary defeat of a crucial tax measure. Inflation will remain in double digits in 1984 and a substantial lira devaluation against the Deutsche mark will be needed to spur export-led economic growth.

Pressure from Luxembourg, whose currency is pegged 1-to-1 to the Belgian franc, forced a 1.5-percent revaluation of the Belgian unit's central rate against the ECU in the last EMS realignment in March 1983. Since then it has come under repeated pressure in the foreign-exchange markets, and only extensive central bank intervention has prevented it moving below EMS limits. With inflation running 5 points higher than in Germany, a downward move will be necessary in the next EMS realignment. Irish

inflation of 11 1/2 percent will force a punt devaluation also and, although Danish inflation and balance-of-payments prospects are improving, a small downward adjustment of the krone is likely.

EMS central banks will be able to protect the weaker members of the system against speculative attacks until the spring while the "high inflation" decline toward their lower limits against the Deutsche mark and the guilder and the latter move up the snake. The anniversary of the last realignment is then likely to be marked by foreign-exchange markets forcing another general realignment of EMS rates. Moves against the Deutsche mark and Dutch guilder of 3 to 6 percent should be expected for the French, Italian, Belgian and Irish currencies while the Danish krone moves down by 1 to 2 percent.

The usual pattern of the fundamentally strong EMS currencies then sticking at the bottom of the system before beginning a slow ascent can then be expected to repeat itself. But, provided moves in a spring realignment are sufficient to compensate for inflation differ-

entials, no further reshuffle should then be needed in 1984.

Short-term, British government policy remains to hold the pound close to \$1.50. With the current-account surplus being rapidly eroded by the consumer spending boom — a surplus of less than \$1 billion is likely this year, after \$5.4 billion in 1982 — the pound looks vulnerable and interest-rate cuts are, therefore, likely to await signs of dollar weakness.

The Swiss franc should match gains by the mark in 1984, rising to about 1.85 to the dollar.

In Scandinavia, Sweden's trade-account continues to reap the benefits of October 1982's 15-percent devaluation, and a further move is unlikely in 1984. And backed by a healthy current-account surplus, the Norwegian government will continue to give priority to reducing inflation and to resist union calls for a growth-stimulating devaluation. Iberian currencies can be expected to continue their steady inflation-matching decline, with the peseta dropping 1 percent and the escudo 1 1/2 percent a month against trade-weighted baskets.

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France: Markets Remain Hesitant

Since that time, although newspaper scare stories in Paris have not ceased, a mood of greater confidence exists. One reason is that French foreign-exchange reserves got a big boost from the March 25 decision to raise an EC loan (of four billion ECU's) to add to the funds available to defend the franc. As of the end of September, French reserves stood at 419 billion francs (compared to 356 billion francs at the time of President François Mitterrand's election; expressed in dollars, however, the reserves are today 100 billion dollars, compared to 90 billion dollars for French import covers that have been storming. The volume of new foreign borrowing has begun to decline from the peak reached in the first quarter of this year. Foreign

These figures were called "too low" by *Le Monde*, which arrived at a total of 550 billion francs by including short-term borrowing of under one year and treating offshore net creditor position of nationalized French banks on the interbank market as part of the country's debt. Economic Ministry experts feel that this larger total does not conform to the norms for calculating international balance of payments.

Such are the optimistic forecasts of the ministry. Of course, their predictions are off if the French trade balance improvement falters, if another run begins against the franc and if inflation picks up. Yet, there is another shadow over the French vision of a bright "Eurofuture," which it is in the power of the Economic Ministry to do something about — and which they are proving to be stubborn about. French state-guaranteed borrowers, since the loan for *Crédit National* in March, have refused to sign syndication agreements, including *pari passu* and cross-default clauses — at the insistence of the ministry. Two U.S. banks, Mor-

The French government has accepted the clauses to complete the \$4-billion loan the Republic of France borrowed a year ago. But it had said that it will not accept the clauses for borrowers guaranteed by the state, claiming they are not standard and that they reflect a prejudice against France. Finance Ministry experts said that a recent Euromarket syndication for a European-government-guaranteed borrower did not include the offending clauses (although sources said they are not sure which country was involved).

West's Recession: Effects on East

The debt figures also illustrate the distortions involved in analyzing East European economies because of the huge strength and dominance of the Soviet economy. Compared with the Soviet Union, the East European economies are weak, and overall averages tend to hide the shocks that each one is suffering from the Western economic slowdown. It is they who look most to the U.S.

In spite of its prudent economic management, East Europe's and the Soviet Union's share in total world trade has remained between 9 percent and 12 percent for the last 27 years. Interestingly, however, the share of Western nations in the areas overall trade increased from 16 percent in 1955 to 31 percent in 1982, while trade among East European countries fell from 76 percent of the total to 50 percent in the same period. These figures again illustrate the East's dependence on Western economic health for its own well

Because of the lack of diversification in both its import and export structures, the Soviet economy tends to be more affected by changes in Western demand and ability to supply than the West is affected by changes within the Soviet Union.

— **ERL KHINDARIA**

Swiss Banking Caution Spares Nation From Ravages of World Debt Crisis

Domestic political pressures on banks because of secretive practices appear to have abated. Nevertheless, an influential socialist lobby in the Swiss parliament is trying to obtain changes in Swiss banking laws that would place more obligations on banks to verify the origin of money brought to them. Also, the Swiss banking law currently is being revised.

The sole potentially troubling challenge may come from the Swiss banking regulatory authorities which have hinted at dissatisfaction with the operation of a gentlemen's agreement reached with the Swiss Bankers' Association after the Chiasso affair, in which Cr dit Suisse reported that its branch in Chiasso, on the Italian border had misdirected 2.2 billion Swiss francs into a troubled Liechtenstein holding company.

The ratio is much more favorable to Swiss banks when undisclosed reserves and shareholders equity not listed in the balance sheet are included. It becomes even more favorable when the risk profile of the assets is taken into account.

For instance, the most generous

targets are high quality institutional investors and solidly credit-worthy borrowers who are more interested in fine financial services than maximizing returns at any cost. In an increasingly competitive international environment, Swiss banks want to get in first with rationalized and restructured services to win and hold customers. Participation in syndicated loans remains

enterprises or by the state?
"The days of positive results are not yet past for well-managed banks but fine results will be much more difficult to achieve," he said.
Willi Ritschard, then finance minister, reassured bankers that any revisions in the banking law will be carefully considered.
So far, the economic recession and severe international competi-

Although the Swiss remain the world's champion savers, with an average level of \$13,000 per person compared with \$6,000 in the United States, bankers detect a slowdown in private saving ratios, and some even worry about a shortage of funds in coming years to finance domestic and foreign credit business.

tronic handling of credits and debits and credits to bank accounts directly from the retail store now a realistic possibility on the horizon. Customers may even bank from home using computer terminals. More importantly, computerization of inter-bank transactions, as well as those between post office giro accounts and the retail trade may require thorough reorganization of existing giro and clearing procedures. All

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[illegible]

EUROMARKETS

Nordic Commercial Banks
Reappraise Joint Ventures

STOCKHOLM — The image of Nordic commercial banks, viewed as traditionally linked in Euromarket business to the consortium banking method of conducting international transactions, is in a state of flux.

And the changing contours of the Eurocurrency markets, colored by the effects of the international debt crisis and increased supervision, bankers of the five Nordic countries, together with European and U.S. colleagues, are reappraising the notion of joint ventures as a useful tool in Euromarket transactions.

"The consortium idea is far from dead, but a restructuring is clearly taking place in this area of banking," said Sven Eriksson, head of Svenska Handelsbanken's central international division, an Ekman said recently in Stockholm. He said that if the market share of Eurocurrency lending in London is taken as a yardstick of banking importance, whereas in 1974 consortium banks represented an 80 percent share, in 1982 they held about 4 percent, a 50 percent fall in market share.

Other foreign banks, principally U.S. and Japanese, had outstripped the consortium banks' market share in London by last year. Their branches and subsidiaries have grown more rapidly, from 164 in 1973 to 347 in 1982, whereas the number of parent banks holding stakes in London joint venture bank has dropped over the same period from 91 to 70.

To main center for consortium banks is London, and it is there that the main changes have taken place. In recent years some joint ventures have disappeared, becoming some cases wholly owned subsidiaries of one of the original parents. Some have simply been discontinued. Others still have been created. All the moves, however, mirror a clear change in attitude on the subject of consortium bank participation.

At first sight, the joint venture appeared to be a custom-built vehicle for Nordic banks' expansion overseas. Originally too small to go alone, the institutional form of joint venture seemed to offer a minimum of risk. Several banks could pool their resources, expertise and talent and apply the longer-term financing needs of multinational companies such as Sweden's Volvo and L.M. Ericsson. It also offered a wider diversification of investments than an individual venture by one of the

then relatively small Nordic commercial banks.

Another factor was also at play. "It was the whole development of the Euromarket, Eurocurrency, and it was often very difficult for management in international divisions of European banks to convince the board that they should get involved in foreign banking, but when they joined up in consortia, they found themselves in some ways on safer ground," Mr. Ekman said.

The explosive increase in Eurocurrency lending, particularly after the 1973 oil price shock, and the sharp increase in competition, then the sudden contraction in Eurocurrency lending with the advent of the debt crisis, all combined to create a volatile atmosphere for consortium banking and hardly the most suitable terrain for measured growth in profitability and return on capital, Nordic bankers said.

The Nordic parent banks in many cases began to feel that the fruits of cooperation, achieved at the expense of renouncing independence of judgment, were now fully exhausted, that their sharp balance-sheet growth and increased experience enabled them to conduct Euromarket transactions alone from home or via wholly owned subsidiaries and branches, and that, finally, running costs were high and not commensurate with the venture's business volume.

The present international debt crisis may also be exerting an indirect effect on consortium banks, several Scandinavian bankers said. In the cases where parent banks are heavily exposed to sovereign risk and problem countries, their consortium interests may be forced to reduce their credit ceilings and country limits so that the parent's overall exposure is reduced, the bankers said.

Moreover, consortium banks have had problems creating new types of business or sources of fee income, in many cases relying too heavily on earnings generated from traditional Euromarket financing operations instead of, for example, entering the merchant banking sector. "Consortia function well in times of expanding business and high profits, but in difficult times they tend to run into problems because they tend to be slow to mobilize 'crisis management,'" Mr. Ekman said.

Two of the oldest London-based Nordic ventures, Nordic Bank and Scandinavian Bank, are good illustrations of the restructurings taking

place in consortium banking. Last September, Sweden's Skandinaviska Enskilda Banken announced that it was increasing its shareholding in Scandinavian Bank from 37 percent to 45.7 percent after the decision by the joint venture's two Danish shareholders to withdraw. One of the Danish banks, Den Danske Bank, which held a 14.3 percent share in the bank, opened its own London branch in 1982.

The restructuring in Scandinavian Bank was preceded by the announcement in August that Norway's largest commercial bank, Den Norske Creditbank, was buying out the other three shareholders in the London-based operations of Nordic Bank. Founded in 1971 at the behest of the joint-venture enthusiasm, Nordic Bank was jointly owned by Copenhagen Handelsbanken of Denmark, Svenska Handelsbanken of Sweden, Kansallis-Osake-Pankki of Finland and Norske Creditbank.

The move followed last year's decision by Svenska Handelsbanken to set up its own wholly owned subsidiary bank in London, Svenska International, which will concentrate its line of business in capital-market activities, merchant banking and provision of banking services to Anglo-Swedish trade. Copenhagen Handelsbanken and Kansallis-Osake-Pankki are in the process of creating their own London units.

If a process of restructuring appears to be taking place among the Nordic banks' London-based consortiums, the attitude is very different in the other major center for Euromarket activities, Luxembourg. The 14 Nordic banks represented in the form of subsidiaries in the Grand Duchy far outweigh the number of joint ventures.

From the onset, as the importance of Luxembourg grew in line with rapid expansion in the Euromarkets, Nordic banks have for the most part felt compelled to establish their own wholly owned subsidiaries in order to carve out a special niche for themselves with close links to trade financing, medium-term loans for foreign projects and foreign exchange transactions in terms of domestic clients in the Nordic area. The Nordic banks in Luxembourg form the second largest grouping after the West Germans, no mean feat for a geographical area with less than 20 million in population.

Of the Nordic consortiums operating in Luxembourg, Banque Norddeutsche is an interesting variant on the more general national or neighbor groupings found in Nordic joint ventures. Among its shareholders, Norddeutsche lists Fællesbanken for Denmark, Sparbank of Copenhagen, Skopbank of Helsinki, Swedbank of Stockholm, Union Bank of Norway of Oslo and Girozentrale und Bank der Oesterreichischen Sparkassen of Vienna, WestLB International of Luxembourg and Caisse des Dépôts et Consignations of Paris.

By providing special services, such as sight and time deposits in all the major Eurocurrencies, money-market and foreign-exchange transactions, medium-term loans, import-export financing and individual investment packages, Norddeutsche, since its founding in 1973, has offered Scandinavian clients predominantly a guarantee of lending and funding not always associated with the more traditional Euromarket financing operations.

With trade financing and medium-term loans for foreign projects as the mainstays of Norddeutsche's business, the degree of specialization and pooling of handling of certain types of transactions has made sound business sense for the consortium. As one Nordic banker in Luxembourg said, "Prospects in terms of profitability and market share for consortium banks are better where they are not predominantly involved in traditional Euromarket funding transactions."

Bergen Bank International is another example of a joint venture tailor-made to suit a particular domestic market, in this case Norway. Founded in 1976, the bank is 65 percent owned by Norway's Bergen Bank, with Forretningsbanken of Trondheim holding 25 percent and Bøndernas Bank of Oslo with 10 percent. "The vast majority of our business is Norway and Norwegian-related, with the bulk in the form of commercial financing, often regionally oriented in Norway," a bank official said.

Thus, the consortium venture as a vehicle for the international — and Euromarket — business of Nordic banks is far from finished. Several smaller banks in the region, as they step up their overseas operations and expand into new areas, still regard joint ventures as the safest and best banking route to service their own international profile. "There are new ones [consortium banks] coming up, because for smaller banks — like ours — the costs of setting up an independent operation in London in terms of capital, manpower and business are such that you can't afford it," said Gustav Mattson, general manager at the Bank of Helsinki.

As long as the Nordic banks remain active in the Euromarkets — and there is no likelihood of this diminishing in the long term — there will be a seat for Nordic consortiums to occupy, even if their role in overall international banking is no longer as great as it once was.

—MICHAEL METCALFE

Spain, Despite Past Troubles, Is Confident of Future

By Tom Burns

MADRID — When Spain's economic team, headed by Finance Minister Miguel Boyer, was in the United States during the fall for the annual International Monetary Fund meeting there was what one Madrid treasury official described as "a queue of international bankers wanting to lend us money."

Mr. Guillermo de la Dehesa, a former senior executive at the Bank of Spain and currently a chief strategist at the Ministry of Commerce, said the enthusiasm underlined that Spain "is in a good position, better than other possible markets."

Madrid believes the banking community has understood that solvency and liquidity indicators in Spain compare favorably to those in other industrialized Western countries.

The Spanish government said that while foreign borrowing requirements will be marginally increased over the next three years forecasts of a growth in exports and in the gross domestic product are realistic and on target.

However, the external debt trend from the mid-1970s onward has outstripped reserves, exports and the domestic product. As elsewhere, the Spanish economy was pilloried by energy costs. The effects of the spiraling fuel bill were specifically aggravated in Spain by the coincidence of the global recession and the post-Franco political transition.

This meant that economic trends and indicators could, and did, go largely unheeded as policy makers busied themselves with the swiftness to democracy. When the macrostatistics were finally studied, the picture was bleak.

In 1973, external debt stood at \$3.5 billion, a figure equal to half Spain's reserves or income from exports and was just 2 percent of the gross domestic product. In 1982 the external debt topped \$28 billion, or 16 percent of the gross domestic product, a staggering figure by comparison, which was twice the existing reserves and represented 80 percent of export income.

Meanwhile, the cost of the Spanish debt, in common with other comparable economies, has almost doubled over the period, moving from an average cost of 6.7 percent in 1973 to 13.1 percent in 1982. This was principally

due to the general rise in interest rates and to the increasing dependence on floating-rate syndicated loans, which at present account for 85 percent of the Spanish debt. Treasury officials in Madrid, however, stress that the spreads have been fairly low. In 1981 and 1982, 90 percent of the floating-rate loans were clinched at an average spread of between 1/4 and 1/2 over Libor, the London interbank offered rate.

The cost trend has continued to be pronounced over the past two years, rising from 11.6 percent in 1981 to 13.1 percent last year. During this two-year period the peseta has depreciated sharply against the dollar, falling by 19 percent up to 1982 and by a further 30 percent in the current year. Spanish treasury figures show that the depreciation has led to a decrease in dollars of the gross domestic product over the past two years. Perhaps the most concerning solvency indicator is that while the external debt has more than tripled between 1973 and 1982 as a percentage of the gross domestic product, passing from 5 percent to 16 percent, the net capital investment over the same period has decreased as a percentage of the gross domestic product from 24.7 percent in 1973 to 19.4 percent in 1982. This would indicate a perceptible tendency to use external borrowing as a stopgap measure to cover a drop in domestic savings.

Mr. de la Dehesa said, however, that exports of capital goods and services had also risen over the past nine years, going from 12.4 percent of the gross domestic product in 1973 to 19.6 percent in 1982. "If Spain continues to produce a greater proportion of export services and goods there will be no solvency problem, as long as the growth rate continues to be greater than that of the debt, as has been the case in 1982 and so far in 1983."

The Madrid administration employs a further two liquidity indicators to impart confidence — the debt service against goods and services exports stood at 19.8 percent in 1982 while reserves, in real gold-price terms, represent 40 percent of the total external debt. The 20 percent figure for the debt service is considered "normal," even in European countries, at the present moment, Spanish officials said, while the reserves against total debt cover is held to be "more than ample cushion." Mr. de la Dehesa said that

the solvency and liquidity indicators are "in general, acceptable, although those of liquidity are better than those of solvency."

The Madrid Finance Ministry projects a growth of the external debt from the \$28 billion figure of 1982 to \$31.1 billion in 1986. This forecast is based essentially on halting the depreciation of the peseta against the dollar and on meeting growth targets of 2.5 percent for the gross domestic product in 1986. Against the 30-percent depreciation of the peseta in 1983, the projection is a 6-percent depreciation next year, 3 percent in 1985 and 1 percent — in short, a stable currency — in 1986.

This turnaround would mean that in place of a 1983 drop in dollars of 5.2 percent in capital and services exports, as a result of the depreciation, the 1986 export figure, according to the growth target for the gross domestic product, would be a rise in dollars of 13.6 percent.

The projected total external debt growth is in marked contrast to that of past years. From 1982-86, according to the ministry's calculations, it will grow by 8 percent, against a rise in the debt of 47.6 percent in the period 1978-82. The change in borrowing requirements is all the greater when it is compared with what is likely to occur in other economies where inertia will continue and growing debts will be necessary to meet interest payments and to make up for domestic savings shortfalls.

The projected change in the tendency in the Spanish economy means that the solvency and liquidity indicators will be maintained in their form and will not worsen. Madrid views its situation as one of relative comfort by comparison. "Spain should have no problems in annually renewing its external debt and increasing it in order to meet current-account deficits."

A major spinoff of the government's present orthodox monetary policy and of the apparent success against inflation — down from 14 percent at the end of 1982 to 12 percent this year and with a target of 8 percent next year — is the steady rise of the peseta. This should act as a spur to the private sector in Spain to return to the international money markets with confidence in the exchange rates. This would be an added reason for the "queues of foreign bankers" during the IMF meeting.

Euromarkets Show Renewed Interest in Portugal

By Ken Pottinger

LISBON — After several years of easy access to the Euromarkets, Portugal encountered difficulties in the first half of 1983 when financial confidence was undermined by political instability and a record \$3.2-billion balance of payments deficit.

Central bank negotiators faced a long haul to close the \$350-million republic loan in June, and two public sector giants stirred little Euromarket interest in their early summer bids for funds. Bankers' doors shut firmly in December following the resignation of the center-right government. By spring Lisbon had been forced to sell 50 tons of its 688-

ton gold reserves to raise \$700 million from the Bank of International Settlements to cover immediate foreign payments.

However, in June Prime Minister Mario Soares's Socialist-led coalition called in the International Monetary Fund days after taking office and accepted the harsh fiscal terms imposed by the fund. According to the former finance minister, Anibal Cavaco e Silva, the deal with the IMF, "changed conditions overnight and restored international confidence in the country."

In record time last month, Lisbon secured a seven-year republic loan of \$350 million, half at 1/4 of a

point above Libor and the remainder at 50 points above the U.S. prime rate, from 16 international banks that only months earlier had been reluctant lenders.

And while the social and political implications of the IMF agreement will only work their way through in the new year, Finance Minister Ernani Lopes is already cautiously optimistic about the size of the predicted drop in the 1983 balance of payments deficit. He said on Nov. 9 that it would be cut by between \$1.2 and \$1.7 billion, in itself a remarkable achievement.

As one foreign banker in Lisbon said: "The Euromarkets are looking with renewed interest at Portu-

gal and public sector companies and institutions should find them more receptive in coming months."

The banker's mood fails to take account of the effects of the domestic austerity program now under way. The program includes curbs on credit and reduced expansion and development targets, making demands by traditional borrowers for foreign funds considerably lower in the short term. That is "the price we pay," one economist said, "for allowing the economy to overheat the way the previous government did."

Frequent public sector borrowers like the state oil company PETROGAL, the grain monopoly

EPAC and the state electricity board EDP, are expected to find significant central bank barriers to untrammelled operations on the Euromarket. By law the central bank has the final word on all foreign loan operations, a conservative policy that effectively puts a brake on the operation of money markets.

Before the current Socialist-Social Democratic coalition took office Portugal's external debt had doubled in three years to reach \$13.5 billion by the end of 1982. According to Mr. Lopes, servicing this debt represents 27 percent of the current receipts in the balance of payments.

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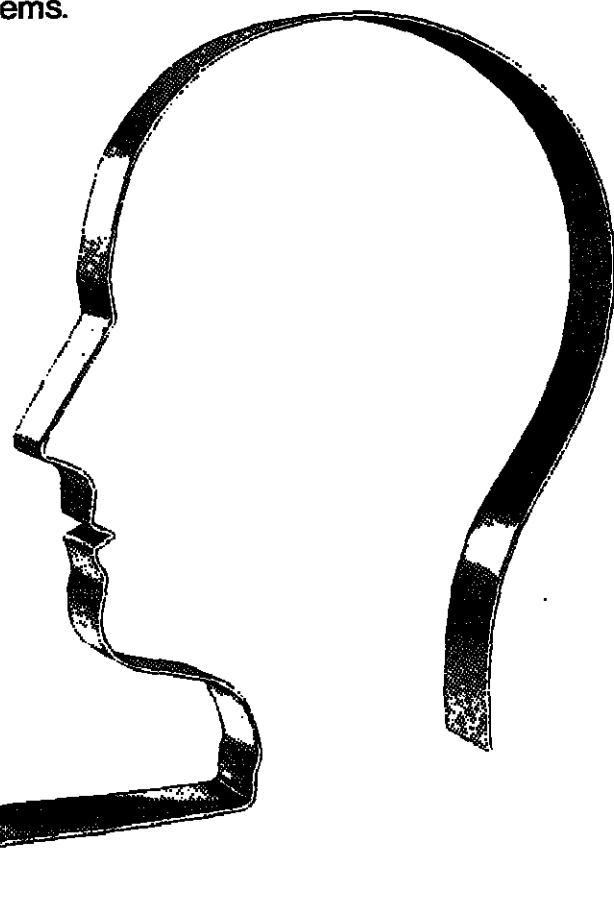
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By Peter Grange

Urged on by similar argument from both U.S. and European investment bankers with a keen eye to new business, U.S. pension funds have been gradually internationalizing their bond portfolios. Back in 1980, according to a survey conducted by Institutional Investor, a U.S. magazine, almost 55 percent of U.S. pension funds anticipated at least some commitment to foreign securities, and the indications were that the preferred international portfolio would comprise on average 65-percent corporate stocks and a 35-percent mix of government and corporate bonds.

The New York Times.

With a flourishing domestic market in government bonds, U.K. pension fund interest in international bond markets "is almost negligible," according to Wood MacKenzie, the Edinburgh brokerage firm. Of the approximately 15 percent of U.K. pension fund portfolios invested overseas, the bulk is in equities and virtually the whole of the rest in property.

"Yankee" market, by far the biggest foreign bond market in terms of nominal value outstanding, is dominated by Canadian issues.



By William Ellington

At the same time, London's large clearing banks set up international bond funds of their own. In addition, British insurance companies

par bearing 8 percent, his cost in dollars would be \$400 if the exchange rate of the time is 2.50 marks per dollar and the par value of the bond was 1,000 marks. Assuming that after 90 days

the next six and 12 months. However, James Capel foresees bonds denominated in yen and Deutsche marks putting in the best performance.

10

ICELAND HIT — Vase by Tomas Buechner III is part of an exhibition of American crafts in Reyjavik that attracted record crowds before its close Sunday. More than 360 works by 85 craft artists were exhibited.

Vasconcelos feels a strong need to promote and relate Brazilian musical culture to the rest of the world. He was born in Recife in 1945. At the age of 12 he was playing percussion with his father, a guitarist, in cabarets. He is self-taught. "I grew up with music," he says. "Every Brazilian grows up with music. It is in the air. You feel



One thing he learned surprised him. Ketchup is not necessarily made just out of tomatoes. "Take away the tomatoes and what's left is ketchup," he said. "You can put any old thing you want in it."

The book went through three re-

He's changed the package a bit. It now includes the book, a collection of recipes the "King of Ketchup" has tested himself, and four 7-ounce jars of Manchurian, Cantonese, apricot-tomato and plum ketchup. The whole batch retails for \$16.95.

will tour France, Germany, Italy, Switzerland and Belgium next spring with Magnificent Force.

What one finds is a wine community trying to juggle its joy at having a potentially disastrous year turn into a very good one with its increasing concern with the political situation in France. Over a glass in an old-fashioned kitchen, a grower mutters darkly about the politicizing of the INAO, the Institut National des Appellations d'Origine, the government-backed wine industry watchdog. Slowly but surely, he says, the

'Whistler's Mother' Visiting Washington
United Press International
WASHINGTON —One of the world's best-known paintings, "Whistler's Mother," will go on display next month at the Corcoran Gallery of Art in an exhibition of American masterpieces. Formally titled "Arrangement in Grey and Black: Portrait of the Painter's Mother," the 1871 painting is making a rare

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to the United States from the Louvre in Paris for the exhibition, "A New World: Masterpieces of American Painting, 1760-1910," which premiered in Boston in September. It is only the second time the portrait of Anna Mathilda Whistler, 67 when her son painted her, has been on view in Washington. The exhibition opens Dec. 7 and runs through Feb. 12, then will go to Paris.

of the cotton growers in California and other areas of the South Central States, two-thirds of the cotton crop, and where the Russian have been making considerable investments in the industry. Mr. Phillips secured his purchase of U.S. cotton from courts are booming and the cotton growers are not inclined to renege on the P.K. program. *Evening Age*, 1, 1994.

and other cotton growers a program that will raise the price and stimulate the largest production crop. He promises a larger production in the United States' 12 million acres of cotton. These growers in California and Arizona can get better prices for their relatively small crops. *Evening Age*, 1, 1994.

...his prices will be a little, especially
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BUSINESS BRIEFS

Caltech of U.S., Indonesia's Pertamina Sign Agreement to Share Production

JAKARTA (UPI) — Caltech of the United States and Indonesia's state oil company, Pertamina, have agreed on a new 18-year production-sharing contract for Indonesia's largest oil field, Energy Minister Subroto said Monday. Caltech is jointly owned by Texaco Inc. and Standard Oil Co. of California.

Since 1963, Caltech has operated Indonesia's largest oil field under a contract in which profits were split between Pertamina and its foreign partner. Under the new pact, which into effect Monday, production also will be split, with 88 percent going to Pertamina, Mr. Subroto said. He said that the contract, which includes a Pertamina request for higher investment commitments by Caltech, should be completed soon.

Commerzbank Likely to Pay Dividend

FRANKFURT (Reuters) — Commerzbank said Monday that a sharp increase in operating profit in the first 10 months of 1983 is a good base for payment of a six Deutsche mark (\$2.21) dividend for 1983. For the previous three years, Commerzbank paid no dividend.

The bank said partial operating profit was 738.7 million DM, a 59.4 percent increase from the average level of the first 10 months of 1982. The bank's operating profit rose more strongly, once results from trading for the bank's own account and pension provisions are included.

The figures exclude risk provisions on lending and depreciation of the bank's securities portfolio. And Commerzbank noted that the banking business is still being shadowed by the problems of indebted countries, intensified by high interest rates and acute currency shortages.

Cut in Belgian Eurocredit Expected

BRUSSELS (Reuters) — Belgium's planned \$700-million Eurocredit will be cut to \$600 million because of the higher than expected yield of \$400 million of its latest international note issue, 20-year floating-rate certificates, bankers said Monday.

The eight-year syndicated loan, managed by Banque Bruxelles Lambert, Société Générale, Kredietbank and Banque de Paris et des Pays Bas, would have a margin of 1/4 percentage point over London interbank offered rates for the first four years, according to sources at Banque Bruxelles Lambert. They said the margin for the second four years would be 1/2 percentage point over Libor, with repayments starting after a 4 1/2-year grace period.

Mannesmann's Results Drop Sharply

DUSSELDORF (Reuters) — Mannesmann said Monday that results in the first nine months of this year were sharply down from those of the year earlier period.

It gave no figure, but said the fall was caused by a drop in new orders in pipe operations, which suffered from falling prices, and from increased competition in plant-building activities. The company said that the general economic recovery had made little impact on its mounting order level in the nine months.

For 1982, Mannesmann reported world group net profit of 280 million Deutsche marks (\$103 million) on volume of 16.5 billion DM. Earlier Monday, the company reported a 20 percent drop in volume to 9.55 billion DM in the first nine months.

Battle for Eagle Heating Up

(Continued From Page 17)

Monday that a marriage with Eagle would create the largest insurance group in Europe and one of the seven largest worldwide.

A source close to Allianz disclosed that BAT and the West Germans had held peace talks before Monday's renewal of hostilities. He said the two sides had failed to agree on which bidder should gain control of which parts of Eagle.

Allianz started the bidding contest Oct. 19 with a bid of 500 pence in cash. BAT, with the support of Eagle's board, came back Nov. 2 with an offer of 375 pence in cash or debentures.

The debentures alternative is important to British stockholders who want to delay or reduce their liability to capital gains tax. On Monday, Allianz promised to come up with a similar alternative if Eagle Star's board backs up its bid.

The acquisition of Eagle Star would fit in with the strategic goals of both BAT and Allianz.

BAT says it wants to get involved in financial services as a "fourth leg" to its current operations in tobacco, retailing and paper. BAT is particularly intent on reducing its dependence on tobacco, which accounted for 75 percent of its trading profit last year.

Allianz is eager to expand its foreign business, which currently accounts for only about 15 percent of revenue. The company said it was "absolutely untrue" that the company was looking at AT&T as a "financial partner."

He said an AT&T executive in Washington confirmed that the companies were continuing their talks on cooperation, which might include data processing. The talks have been under way for several months.

Industry sources on both sides of the Atlantic said Monday that the renewed interest in the two companies' possible future cooperation stemmed from Olivetti's announcement last Thursday that it had placed 72 million of its shares, previously in French hands, with Italian, other European and U.S. financial institutions.

The largest portion, of 25 million shares, was acquired by Compagnie Industrielle Rénovée, which is controlled by Olivetti's chairman, Carlo De Benedetti. CIR thus became the largest shareholder in the company.

There is speculation about the capital increase, but we have no plans, not now," the Olivetti spokesman said. He added that the company was looking at AT&T as a "financial partner."

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Iraq Reportedly Builds New Gulf Oil Terminal

BAGHDAD — Iraq, its oil revenue cut heavily by the war with Iran, is building a floating terminal as part of a plan to resume oil exports through the Gulf, diplomats said Monday.

They said Britain's John Brown Co. is handling the project to float buoys at the end of a six-mile (10-kilometer) underwater pipeline from the old Iraqi oil terminal at Faw at the head of the Gulf.

The diplomats quoted company sources as saying it would take 12 months to complete.

They expected the project would test Iranian reaction to a resumption of Iraqi oil exports through the Gulf, halted since the start of the war in September 1980.

"Any Iranian attempt to disrupt Iraqi oil exportation from the Gulf would give the Baghdad government the justification it needs to strike back by destroying Kharg Island, where 70 percent of Iranian oil is exported," a diplomat said.

The Iraqis had access to enough Soviet-made ground-to-ground missiles, some of which they had already used against Iran, to destroy the island, they added.

The Baghdad government has said it could not allow Iranian oil exports to continue while its own oil shipments through the Gulf were blocked. Tehran, meanwhile, has threatened to seal the Gulf if the Iraqis build access to enough Soviet-made ground-to-ground missiles, some of which they had already used against Iran, to destroy the island, they added.

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Monday's NYSE Closing

Tables include the nationwide prices up to the closing on Wall Street

(Continued From Page 18)

12 Month High Low Stock Div. Yld. PE 52-Week High Low Open Close

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Grains

WHEAT	Open	High	Low	Close
Dec	1.44	1.47	1.43	1.45
Jan	1.45	1.48	1.44	1.46
Feb	1.46	1.49	1.45	1.47
Mar	1.47	1.50	1.46	1.48
Apr	1.48	1.51	1.47	1.49
May	1.49	1.52	1.48	1.50
Jun	1.50	1.53	1.49	1.51
Jul	1.51	1.54	1.50	1.52
Aug	1.52	1.55	1.51	1.53
Sep	1.53	1.56	1.52	1.54
Oct	1.54	1.57	1.53	1.55
Nov	1.55	1.58	1.54	1.56
Dec	1.56	1.59	1.55	1.57
Jan	1.57	1.60	1.56	1.58
Feb	1.58	1.61	1.57	1.59
Mar	1.59	1.62	1.58	1.60
Apr	1.60	1.63	1.59	1.61
May	1.61	1.64	1.60	1.62
Jun	1.62	1.65	1.61	1.63
Jul	1.63	1.66	1.62	1.64
Aug	1.64	1.67	1.63	1.65
Sep	1.65	1.68	1.64	1.66
Oct	1.66	1.69	1.65	1.67
Nov	1.67	1.70	1.66	1.68
Dec	1.68	1.71	1.67	1.69
Jan	1.69	1.72	1.68	1.70
Feb	1.70	1.73	1.69	1.71
Mar	1.71	1.74	1.70	1.72
Apr	1.72	1.75	1.71	1.73
May	1.73	1.76	1.72	1.74
Jun	1.74	1.77	1.73	1.75
Jul	1.75	1.78	1.74	1.76
Aug	1.76	1.79	1.75	1.77
Sep	1.77	1.80	1.76	1.78
Oct	1.78	1.81	1.77	1.79
Nov	1.79	1.82	1.78	1.80
Dec	1.80	1.83	1.79	1.81
Jan	1.81	1.84	1.80	1.82
Feb	1.82	1.85	1.81	1.83
Mar	1.83	1.86	1.82	1.84
Apr	1.84	1.87	1.83	1.85
May	1.85	1.88	1.84	1.86
Jun	1.86	1.89	1.85	1.87
Jul	1.87	1.90	1.86	1.88
Aug	1.88	1.91	1.87	1.89
Sep	1.89	1.92	1.88	1.90
Oct	1.90	1.93	1.89	1.91
Nov	1.91	1.94	1.90	1.92
Dec	1.92	1.95	1.91	1.93
Jan	1.93	1.96	1.92	1.94
Feb	1.94	1.97	1.93	1.95
Mar	1.95	1.98	1.94	1.96
Apr	1.96	1.99	1.95	1.97
May	1.97	2.00	1.96	1.98
Jun	1.98	2.01	1.97	1.99
Jul	1.99	2.02	1.98	2.00
Aug	2.00	2.03	1.99	2.01
Sep	2.01	2.04	2.00	2.02
Oct	2.02	2.05	2.01	2.03
Nov	2.03	2.06	2.02	2.04
Dec	2.04	2.07	2.03	2.05
Jan	2.05	2.08	2.04	2.06
Feb	2.06	2.09	2.05	2.07
Mar	2.07	2.10	2.06	2.08
Apr	2.08	2.11	2.07	2.09
May	2.09	2.12	2.08	2.10
Jun	2.10	2.13	2.09	2.11
Jul	2.11	2.14	2.10	2.12
Aug	2.12	2.15	2.11	2.13
Sep	2.13	2.16	2.12	2.14
Oct	2.14	2.17	2.13	2.15
Nov	2.15	2.18	2.14	2.16
Dec	2.16	2.19	2.15	2.17
Jan	2.17	2.20	2.16	2.18
Feb	2.18	2.21	2.17	2.19
Mar	2.19	2.22	2.18	2.20
Apr	2.20	2.23	2.19	2.21
May	2.21	2.24	2.20	2.22
Jun	2.22	2.25	2.21	2.23
Jul	2.23	2.26	2.22	2.24
Aug	2.24	2.27	2.23	2.25
Sep	2.25	2.28	2.24	2.26
Oct	2.26	2.29	2.25	2.27
Nov	2.27	2.30	2.26	2.28
Dec	2.28	2.31	2.27	2.29
Jan	2.29	2.32	2.28	2.30
Feb	2.30	2.33	2.29	2.31
Mar	2.31	2.34	2.30	2.32
Apr	2.32	2.35	2.31	2.33
May	2.33	2.36	2.32	2.34
Jun	2.34	2.37	2.33	2.35
Jul	2.35	2.38	2.34	2.36
Aug	2.36	2.39	2.35	2.37
Sep	2.37	2.40	2.36	2.38
Oct	2.38	2.41	2.37	2.39
Nov	2.39	2.42	2.38	2.40
Dec	2.40	2.43	2.39	2.41
Jan	2.41	2.44	2.40	2.42
Feb	2.42	2.45	2.41	2.43
Mar	2.43	2.46	2.42	2.44
Apr	2.44	2.47	2.43	2.45
May	2.45	2.48	2.44	2.46
Jun	2.46	2.49	2.45	2.47
Jul	2.47	2.50	2.46	2.48
Aug	2.48	2.51	2.47	2.49
Sep	2.49	2.52	2.48	2.50
Oct	2.50	2.53	2.49	2.51
Nov	2.51	2.54	2.50	2.52
Dec	2.52	2.55	2.51	2.53
Jan	2.53	2.56	2.52	2.54
Feb	2.54	2.57	2.53	2.55
Mar	2.55	2.58	2.54	2.56
Apr	2.56	2.59	2.55	2.57
May	2.57	2.60	2.56	2.58
Jun	2.58	2.61	2.57	2.59
Jul	2.59	2.62	2.58	2.60
Aug	2.60	2.63	2.59	2.61
Sep	2.61	2.64	2.60	2.62
Oct	2.62	2.65	2.61	2.63
Nov	2.63	2.66	2.62	2.64
Dec	2.64	2.67	2.63	2.65
Jan	2.65	2.68	2.64	2.66
Feb	2.66	2.69	2.65	2.67
Mar	2.67	2.70	2.66	2.68
Apr	2.68	2.71	2.67	2.69
May	2.69	2.72	2.68	2.70
Jun	2.70	2.73	2.69	2.71
Jul	2.71	2.74	2.70	2.72
Aug	2.72	2.75	2.71	2.73
Sep	2.73	2.76	2.72	2.74
Oct	2.74	2.77	2.73	2.75
Nov	2.75	2.78	2.74	2.76
Dec	2.76	2.79	2.75	2.77
Jan	2.77	2.80	2.76	2.78
Feb	2.78	2.81	2.77	2.79
Mar	2.79	2.82	2.78	2.80
Apr	2.80	2.83	2.79	2.81
May	2.81	2.84	2.80	2.82
Jun	2.82	2.85	2.81	2.83
Jul	2.83	2.86	2.82	2.84
Aug	2.84	2.87	2.83	2.85
Sep	2.85	2.88	2.84	2.86
Oct	2.86	2.89	2.85	2.87
Nov	2.87	2.90	2.86	2.88
Dec	2.88	2.91	2.87	2.89
Jan	2.89	2.92	2.88	2.90
Feb	2.90	2.93	2.89	2.91
Mar	2.91	2.94	2.90	2.92
Apr	2.92	2.95	2.91	2.93
May	2.93	2.96	2.92	2.94
Jun	2.94	2.97	2.93	2.95
Jul	2.95	2.98	2.94	2.96
Aug	2.96	2.99	2.95	2.97
Sep	2.97	3.00	2.96	2.98
Oct	2.98	3.01	2.97	2.99
Nov	2.99	3.02	2.98	3.00
Dec	3.00	3.03	2.99	3.01
Jan	3.01	3.04	3.00	3.02
Feb	3.02	3.05	3.01	3.03
Mar	3.03	3.06	3.02	3.04
Apr	3.04	3.07	3.03	3.05
May	3.05	3.08	3.04	3.06
Jun	3.06	3.09	3.05	3.07
Jul	3.07	3.10	3.06	3.08
Aug	3.08	3.11	3.07	3.09
Sep	3.09	3.12	3.08	3.10
Oct	3.10	3.13	3.09	3.11
Nov	3.11	3.14	3.10	3.12
Dec	3.12	3.15	3.11	3.13
Jan	3.13	3.16	3.12	3.14
Feb	3.14	3.17	3.13	3.15
Mar	3.15	3.18	3.14	3.16
Apr	3.16	3.19	3.15	3.17
May	3.17	3.20	3.16	3.18
Jun	3.18	3.21	3.17	3.19
Jul	3.19	3.22	3.18	3.20
Aug	3.20	3.23	3.19	3.21
Sep	3.21	3.24	3.20	3.22
Oct	3.22	3.25	3.21	3.23
Nov	3.23	3.26	3.22	3.24
Dec	3.24	3.27	3.23	3.25
Jan	3.25	3.28	3.24	3.26
Feb	3.26	3.29	3.25	3.27
Mar	3.27	3.30	3.26	3.28
Apr	3.28	3.31	3.27	3.29
May	3.29	3.32	3.28	3.30
Jun	3.30	3.33	3.29	3.31
Jul	3.31	3.34	3.30	3.32
Aug	3.32	3.35	3.31	3.33
Sep	3.33	3.36	3.32	3.34
Oct	3.34	3.37	3.33	3.35
Nov	3.35	3.38	3.34	3.36
Dec	3.36	3.39	3.35	3.37
Jan	3.37	3.40	3.36	3.38
Feb	3.38	3.41	3.37	3.39
Mar	3.39	3.42	3.38	3.40
Apr	3.40	3.43	3.39	3.41
May	3.41	3.44	3.40	3.42
Jun	3.42	3.45	3.41	3.43
Jul	3.43	3.46	3.42	3.44
Aug	3.44	3.47	3.43	3.45
Sep	3.45	3.48	3.44	3.46
Oct	3.46	3.49	3.45	3.47
Nov	3.47	3.50	3.46	3.48
Dec	3.48	3.51	3.47	3.49
Jan	3.49	3.52	3.48	3.50
Feb	3.50	3.53	3.49	3.51
Mar	3.51	3.54	3.50	3.52
Apr	3.52	3.55	3.51	3.53
May	3.53	3.56	3.52	3.54
Jun	3.54	3.57	3.53	3.55
Jul	3.55	3.58	3.54	3.56
Aug	3.56	3.59	3.55	3.57
Sep	3.57	3.60	3.56	3.58
Oct	3.58	3.61	3.57	3.59
Nov	3.59	3.62	3.58	3.60
Dec	3.60	3.63	3.59	3.61
Jan	3.61	3.64	3.60	3.62
Feb	3.62	3.65	3.61	3.63
Mar	3.63	3.66	3.62	3.64
Apr	3.64	3.67	3.63	3.65
May	3.65	3.68	3.64	3.66
Jun	3.66	3.69	3.65	3.67
Jul	3.67	3.70	3.66	3.68
Aug	3.68	3.71	3.67	3.69
Sep	3.69	3.72	3.68	3.70
Oct	3.70	3.73	3.69	3.71
Nov	3.71	3.74	3.70	3.72
Dec	3.72	3.75	3.71	3.73
Jan	3.73	3.76	3.72	3.74
Feb	3.74	3.77	3.73	3.75
Mar	3.75	3.78	3.74	3.76
Apr	3.76	3.79	3.75	3.77
May	3.77	3.80	3.76	3.78
Jun	3.78	3.81	3.77	3.79
Jul	3.79	3.82	3.78	3.80
Aug	3.80	3.83	3.79	3.81
Sep	3.81	3.84	3.80	3.82
Oct	3.82	3.85	3.81	3.83
Nov	3.83	3.86	3.82	3.84
Dec	3.84	3.87	3.83	3.85
Jan	3.85	3.88	3.84	3.86
Feb	3.86	3.89	3.85	3.87
Mar	3.87	3.90	3.86	3.88
Apr	3.88	3.91	3.87	3.89
May	3.89	3.92	3.88	3.90
Jun	3.90	3.93	3.89	3.91
Jul	3.91	3.94	3.90	3.92
Aug	3.92	3.95	3.91	3.93
Sep	3.93	3.96	3.92	3.94
Oct	3.94	3.97	3.93	3.95
Nov	3.95	3.98	3.94	3.96
Dec	3.96	3.99	3.95	3.97
Jan	3.97	4.00	3.96	3.98
Feb				

Adman Lowe Has High Hopes for U.S. Tie

By Vivienne Walsh
New York Times Service

LONDON — Britain's advertising industry has developed a dissonance for its counterpart on Madison Avenue.

And Frank Lowe, whose advertisements for Benson & Hedges cigarettes and Heineken beer have become industry standards, is foremost among British critics of U.S. advertising.

He finds its gargantuan salaries and its tedious television commercials "appalling," "shocking" and "bizarre."

Another of Mr. Lowe's anathemas is the hard-sell approach of U.S. advertising. "They suddenly look at the camera and say, 'Oh, hi! We're just chatting about hemorrhoids,'" he says.

"I believe in oblique communication. You can't come barging into someone's living room and expect them to be interested in diaper rash," he continues. "They would be worried about their sick mother, or perhaps they can't pay the rent that month. I mean, people have a lot of real problems on their minds."

The fact that Mr. Lowe, 40, went into partnership in September with U.S. concern, Wasey Campbell-Ewald, the British subsidiary of Marbach, Campbell-Ewald Worldwide, therefore seems surprising — not least, to Mr. Lowe himself.

"It wasn't supposed to happen that way," he says. Marbach's president, Les Delano, had made three proposals to take over Lowe Howard Spink, when Mr. Lowe finally told him, "We'll take you over if you like."

"It was a joke on my part," Mr. Lowe recalls. "I mean, absolutely nobody takes over an American company."

Marbach, in turn, is part of the big Interpublic Group in the United States, which had billings last year of \$3.6 billion.

Lowe Howard Spink, although the smaller of the two merged agencies, has a 55 percent share in the new company, which in addition to a tongue-twisting name — Lowe Howard Spink Campbell-Ewald — has billings of about \$80 million.

But Mr. Lowe is in charge.

Mr. Lowe was not the first to take over a U.S. advertising concern. Saatchi & Saatchi, the agency best known for its work for Prime Minister Margaret Thatcher, acquired Compton Communications last year.

Although the Lowe merger is considerably smaller, Marbach's agreement to take second place in the new agency underscores its need for some creative fire aid.

Apart from an undoubted settlement, the merger also gives Mr. Lowe a toehold among advertisers outside Britain, particularly U.S. multinational companies. Before the merger, Lowe Howard Spink (Geoff Howard Spink, his deputy, is the other large shareholder) had lost the Parker Pen account to Ogilvy & Mather, which offered a more international service. He was determined "not to repeat that experience."

His accounts — which included



Frank Lowe

Whitbread, Heineken and Lloyds Bank of Britain — now feature also General Motors, with \$30 million in billings in Britain, and L'Oréal, the French cosmetics company, with billings of \$7.5 million.

Mr. Lowe's 10-year campaign for Heineken — "Heineken refreshes the parts other beers cannot reach" — resulted in a success advertisers dream about, not surprisingly as the idea came when his inventor awoke from a fitful sleep in a Moroccan hotel to scribble down the million-dollar slogan.

The writer, Terry Lovelock, had been about to board a flight to Marrakech, when Mr. Lowe told him: "If you don't come back with a bloody line, don't bother coming back at all."

The slogan became the basis of innumerable advertisements, with Heineken strengthening cricketers' bats and boatmen's oars, and even

adding a halo to the devilish J.R. Ewing of "Dallas."

Mr. Lowe joined J. Walter Thompson's British office here as a messenger, then went to Benton & Bowles in New York as an account executive. It was back in London, with Collett Dickinson Pearce, that he began showing his distinctive style. He was managing director, coordinating all creative work, by the time he left to form his own agency, taking along some of the biggest accounts and best copywriters and art directors.

At CDP, Mr. Lowe and a group of talented people, including Alan Parker (who subsequently directed "Midnight Express") and Hugh Hudson (who went on to do "Chariots of Fire"), had treated advertising virtually as an art form. Their work was pretty, witty and stylish enough to hang on one's bedroom wall.

For Benson & Hedges, for example, the agency did away with words, and nipped the pack among poster images — a chip in a computer, a painting on a museum wall.

To create an effect that was provocative and slightly surreal. It was utterly illogical, saying nothing about the product, and everything about the advertisement as a manipulative work of art.

It was also an elegant nose-thumbing by Mr. Lowe at one of his pet peeves, he said: "All those business graduates who enter the industry with the air of managers, wanting everything to have a linear relationship, and preferably to be written."

Ruhr Seeks to Diversify While Hoping for Upturn

(Continued From Page 17)

Hoesch and Krupp, are cutting back their basic operations and have even talked merger. Ruhrhütte, the big energy company whose coal mines fire the steel mills, will have a \$226-million loss this year because of falling demand. More than 15 percent of the Ruhr's workers, about 255,000 people, are unemployed.

The fundamental question confronting West Germany's economic strategists is whether the Ruhr's afflictions are cyclical, and thus likely to be remedied by the arrival of a sustained economic recovery, or structural, and therefore destined to remain a problem no matter what good turns the business cycle should take.

Those who believe it is structural say the Ruhr's misfortunes are symptomatic of a malaise afflicting such other basic German industries as textiles and shipbuilding economy, which have been doubly hurt in recent years by recession at home and fierce competition from lower-cost producers abroad. They view the Ruhr as a mirror of troubles afflicting most developed nations today, which are struggling to salvage heavy, basic industries under attack from low-cost foreign producers and from substitute materials.

If the structuralists are right, the Ruhr must sharply reduce its dependence upon its weakened basic industries and diversify into more sophisticated industries with greater growth potential.

Policy has begun to take baby steps in this direction.

A five-year, \$2.7-billion government program aims to transform the valley by attracting high-tech companies with cash grants, low-cost property and improved university facilities that, it is hoped, will eventually spur forth new research and a skilled work force.

But if the problem is primarily cyclical, as some West Germans still believe, such sweeping changes may not be needed. Industries that are suppliers for machinery and

machine tool makers, automobile and plant builders could be expected to burst back to life automatically once the West German economy revives.

"The giant steel companies have some dead branches, but they have lively products too, with state-of-the-art technology," said Theo Siepert, of the Neue Ruhr Zeitung, an optimist in the current debate.

Analysis of Mr. Siepert's stripe argues that the Ruhr's traditional businesses must be kept largely intact to take advantage of eventual economic recovery.

The program to attract high-tech companies is enjoying some success. Although its major production facilities will remain in southern Germany, Hewlett-Packard has opened a regional center near Düsseldorf, and a new service center in Dortmund. Also in Dortmund, Hoesch Steel expanded its software consulting subsidiary, MBP, helping to triple the number of jobs in the region's computer industry, to 1,500, since 1975. Further to the east, the 3M Company is expanding a factory it built in Kamen in the 1970s to make plastic jackets for computer diskettes and video-cassettes.

But even ardent supporters of such tactics concede that the high-tech newcomers have had minimal effect in easing unemployment. Reinhard Rischel, vice president of the Economic Development Corporation for North Rhine-Westphalia, an agency that helps settle companies in depressed areas like the Ruhr, said an estimated 20,000 to 30,000 steelworkers could be laid off over the next three to four years.

Andreas Schlieper, an economist with the Essen-based Federation of Ruhr Cities, would have the region's banks supply more of the venture capital many companies need in high-risk sectors like electronics or biotechnology. In addition, he wants local governments to imitate the British by creating "sheltered environments" for companies, by offering low tax rates and other business benefits.

German economists who lean to the cyclical argument warn against moving too far from the region's traditional industries. "Policy that starts with the employment rate of individual concerns is dangerous," contends Willi Lamberts, an economist at the Rheinisch-Westphalian Research Institute in Essen. "My fear is that the adjustments we are

undertaking are having the effect of destroying the structure of the region. It is de-industrialization."

Will the Ruhr recover? As on the remedies, opinions vary on the long-term prognosis.

"The Ruhr's importance will persist," said Gangolf Weiler, a Thyssen executive in Duisburg. "There will be financial and fiscal problems. The cities may have to close swimming pools, theaters and ice rinks. But the Rhine is there and will always be there. There are first-class highways and rail lines. The people are realistic, dry, perhaps, but good workers."

Others are less sure. "What do people in Detroit do?" another steel executive asked. "They go South, they go to California. They will insist that Dortmund or Oberhausen must remain steel cities. They say that's where the Ruhr was born. I can only say, 'Why?'"

Japan Tool-Export Curbs

TOKYO — Japanese machine tool builders have decided to continue limiting exports to the United States, Canada and 15 European countries for another year beginning January, an official of the Japanese machine tool exporters' association said Monday.

PORTNAX DEVELOPMENT LIMITED
Bldg. U.S. 574, Aachen U.S. 574
As of date Nov. 28, 1983.

F. P. S.
FINANCIAL PLANNING SERVICES BV
Kruisstraat 112, 3rd Floor
1012 PK AMSTERDAM, Holland.
Phone: (0) 20-25077/22073, Th. 18536.

Gold Options (prices in \$/oz.)

Month	Nov.	Dec.	Jan.	Feb.
30	360.00	360.00	360.00	360.00
45	360.00	360.00	360.00	360.00
60	360.00	360.00	360.00	360.00
75	360.00	360.00	360.00	360.00
90	360.00	360.00	360.00	360.00
105	360.00	360.00	360.00	360.00
120	360.00	360.00	360.00	360.00
135	360.00	360.00	360.00	360.00
150	360.00	360.00	360.00	360.00
165	360.00	360.00	360.00	360.00
180	360.00	360.00	360.00	360.00
195	360.00	360.00	360.00	360.00
210	360.00	360.00	360.00	360.00
225	360.00	360.00	360.00	360.00
240	360.00	360.00	360.00	360.00
255	360.00	360.00	360.00	360.00
270	360.00	360.00	360.00	360.00
285	360.00	360.00	360.00	360.00
300	360.00	360.00	360.00	360.00

Gld: 300-630091

Valuers White Weld S.A.
Quai de Montparnasse 121, 2nd Floor
75006 Paris, France
Tel: 31 82 31 - Telex 28 385

DeVee-Holbein Int. N.V.
Bldg. 812/4 - Ask 813/4

Cellular Products
Bldg. 83 - Ask 83/4 Units

First Commerce
First Commerce Securities
Hempstead 483
10707 N. Broadway
Tel: 31 82 31 - Telex 28 385

ADVERTISEMENT	
INTERNATIONAL FUNDS	
November 28, 1983	
The net asset value of each fund is shown below and is based on the fund's net asset value as of the close of business on November 28, 1983. The following information is provided for informational purposes only and is not intended to be a recommendation of any particular fund. For more information, please contact your broker or the fund's distributor.	
(1) = International (2) = Domestic (3) = Equity (4) = Bond (5) = Money Market (6) = Other	
ALFAL MANAGEMENT CO. S.A.	
(1) ALFAL MANAGEMENT CO. S.A.	\$1.00
(2) ALFAL MANAGEMENT CO. S.A.	\$1.00
(3) ALFAL MANAGEMENT CO. S.A.	\$1.00
(4) ALFAL MANAGEMENT CO. S.A.	\$1.00
(5) ALFAL MANAGEMENT CO. S.A.	\$1.00
(6) ALFAL MANAGEMENT CO. S.A.	\$1.00
BANK JULIUS BAER & CO. LTD.	
(1) Bank Julius Baer & Co. Ltd.	\$1.00
(2) Bank Julius Baer & Co. Ltd.	\$1.00
(3) Bank Julius Baer & Co. Ltd.	\$1.00
(4) Bank Julius Baer & Co. Ltd.	\$1.00
(5) Bank Julius Baer & Co. Ltd.	\$1.00
(6) Bank Julius Baer & Co. Ltd.	\$1.00
BANK OF AMERICA CORP.	
(1) Bank of America Corp.	\$1.00
(2) Bank of America Corp.	\$1.00
(3) Bank of America Corp.	\$1.00
(4) Bank of America Corp.	\$1.00
(5) Bank of America Corp.	\$1.00
(6) Bank of America Corp.	\$1.00
BANK OF CANADA	
(1) Bank of Canada	\$1.00
(2) Bank of Canada	\$1.00
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BANK OF CHINA	
(1) Bank of China	\$1.00
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BANK OF INDIA	
(1) Bank of India	\$1.00
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BANK OF JAPAN	
(1) Bank of Japan	\$1.00
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BANK OF KOREA	
(1) Bank of Korea	\$1.00
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BANK OF MALAYSIA	
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BANK OF MEXICO	
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BANK OF NETHERLANDS	
(1) Bank of Netherlands	\$1.00
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BANK OF NEW ZEALAND	
(1) Bank of New Zealand	\$1.00
(2) Bank of New Zealand	\$1.00
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BANK OF NORWAY	
(1) Bank of Norway	\$1.00
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BANK OF SWEDEN	
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BANK OF SWITZERLAND	
(1) Bank of Switzerland	\$1.00
(2) Bank of Switzerland	\$1.00
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(5) Bank of Switzerland	\$1.00
(6) Bank of Switzerland	\$1.00
BANK OF THAILAND	
(1) Bank of Thailand	\$1.00
(2) Bank of Thailand	\$1.00
(3) Bank of Thailand	\$1.00
(4) Bank of Thailand	\$1.00
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BANK OF TAIWAN	
(1) Bank of Taiwan	\$1.00
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BANK OF U.S.A.	
(1) Bank of U.S.A.	\$1.00
(2) Bank of U.S.A.	\$1.00
(3) Bank of U.S.A.	\$1.00
(4) Bank of U.S.A.	\$1.00
(5) Bank of U.S.A.	\$1.00
(6) Bank of U.S.A.	\$1.00
BANK OF VIETNAM	
(1) Bank of Vietnam	\$1.00
(2) Bank of Vietnam	\$1.00
(3) Bank of Vietnam	\$1.00
(4) Bank of Vietnam	\$1.00
(5) Bank of Vietnam	\$1.00
(6) Bank of Vietnam	\$1.00
BANK OF YUGOSLAVIA	
(1) Bank of Yugoslavia	\$1.00
(2) Bank of Yugoslavia	\$1.00
(3) Bank of Yugoslavia	\$1.00
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(5) Bank of Yugoslavia	\$1.00
(6) Bank of Yugoslavia	\$1.00
Other Funds	
(1) American International Fund	\$1.00
(2) American Mutual Fund	\$1.00
(3) American Overseas Fund	\$1.00
(4) American Pacific Fund	\$1.00
(5) American World Fund	\$1.00
(6) American World Fund	\$1.00
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(92) American World Fund	\$1.00
(93) American World Fund	\$1.00
(94) American World Fund	\$1.00
(95) American World Fund	\$1.00
(96) American World Fund	\$1.00
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FORTUNE
Number one outside the U.S.

SPORTS

Toronto Wins Grey Cup, 18-17

By Associated Press
VANCOUVER, British Columbia — Quarterback Joe Barnes came off the bench here Sunday to guide Toronto to its first Canadian Football League championship in 11 years as the Argonauts edged the British Columbia Lions, 18-17, in the Grey Cup game.

Barnes tipped a 3-yard touchdown pass to running back Cedric Minter just as he stepped into the left corner of the end zone at 12:16 of the final period.

Earlier in the second half, Hank Hines kicked two singles and a field goal to draw the Argonauts to within five points at 17-12.

Toronto went for a two-point conversion, following their winning score, but Barnes' pass fell incomplete.

Roy Dewalt had given British Columbia a 17-12 halftime lead with two touchdowns passes, the first a 45-yarder to Mervyn Fernandez at 12:56 of the opening period. The perfectly thrown strike hit Fernandez in full stride between two Toronto defenders.

In the second period, Dewalt marched the Lions 85 yards, capping the drive at 12:27 with a 20-yard scoring pass to running back Henry White, who leaped high in the end zone and wrestled the ball from two defenders.

With starting quarterback Conde Halloway unable to put more than seven points on the board, Barnes came in and took the Argonauts to their first title since 1972.

It also was the first time since 1977 that an Eastern Division team has won the championship.

A capacity crowd of 59,345 roared approval as British Columbia

defensive back Larry Crawford picked off a Halloway pass on the second play of the game.

But the Lions could not get started either, and the two teams traded punts on their next four possessions.

Then, with Crawford gathering in Leslie's punt and returning it eight yards, the Lions began their first touchdown drive from their own 32-yard line.

Dewalt, who led British Columbia to the Western Division title, threw seven yards to White before Ray Strong burst through the left side for 16 yards to the center of the 110-yard line.

Fernandez gathered in a 16-yard Dewalt aerial to the Toronto 45 and on the following play streaked downfield, splitting safety Ken McEachern and taking Dewalt's strong throw for a TD.

Toronto tied the score in the second quarter when, after taking over the ball at midfield, the Argonauts put together one of their few drives with Halloway at the controls.

Halloway passed to wide receiver Terry O'Grady for 24 yards and two plays later ran for 20 yards when he couldn't find an open receiver.

After losing three yards when he was sacked, Halloway threw into the flat to running back Jan Carini, who went 14 yards for the score at 8:10.

But British Columbia struck right back, taking the ensuing kickoff and going 85 yards, the last 20 on the pass from Dewalt to White.

When Lui Passaglia connected on a 31-yard field goal at 14:37 of the second period, the Lions had their 17-7 halftime lead.

Toronto Coach Bob O'Brien

went to his bench for the second half. "I never had any hesitation about bringing Barnes in," he said.

"We weren't moving the ball, Conde was having trouble throwing the ball. Besides, we have the best quarterback tandem in the CFL."

Earlier this season, Barnes came off the bench to drive the Argonauts to victory after Halloway suffered a jammed thumb. "The best play I made all day," Halloway said, "was to get injured."

But O'Brien's Grey Cup strategy did not pay immediate dividends.

Four Argonaut drives stalled deep in B.C. territory, and each time O'Brien sent in Leslie for long field goal attempts.

Obtained from Edmonton before the 1983 season, Leslie was appearing in his seventh consecutive cup, but he missed his first three tries.

Under CFL rules, a kicking team is awarded a single point if the receiving team fails to run the ball out of the end zone.

On two of Leslie's three misses, British Columbia decided to concede the point.

Leslie's three-point try was good 4:45 into the fourth period, pulling Toronto to within five, 17-12, and setting the stage for Barnes' game-winning touchdown drive.

Barnes finished with 14 completions in 24 attempts for 175 yards. Halloway was 5-of-7 for 95 yards. Dewalt was 28-of-47 for 325 yards, with Fernandez catching 7 passes for 130 yards.

Greer, who set records this season with 113 receptions for 2,003 yards, caught 4 for 73, while Minter pulled in 6 for 68.

Player, Palmer 'Skins Game' Victors

By John Radosta

New York Times Service

SCOTTSDALE, Arizona — In a show-biz scenario, two professionals well past their competitive primes walked away with nearly all the money Sunday in the second half of The Skins Game, a golf stakes match devised for television.

Gary Player, 48, won \$170,000 of the \$360,000 purse and Arnold Palmer, 54, won \$140,000. They left only \$40,000 for Jack Nicklaus, who won two skins — the amount wagered on a hole — and \$10,000 for Tom Watson, who won only one.

With a birdie-4 on the 17th hole, Player won a skin worth \$150,000 after four previous holes had been tied and their stakes carried forward. Palmer's skin with a 40-foot birdie putt on No. 12 was worth \$100,000 after four previous holes had been tied.

Following the match Watson was heard accusing Player of cheating on the 16th hole, which had been tied, by moving a rooted leaf.

Palmer and Player said they had never won more money in a tournament. Palmer recalled that in the entire season of 1958 he led the money list with \$28,500.

Skins games are commonly played by weekend players, with the stakes carried forward to the next hole when two players tie for low score. What made this confrontation unusual was the amount of the stakes put up by the sponsors — \$10,000 for each of the first six holes, \$20,000 each for the next six holes and \$30,000 for each of the final six.

The match was played in two segments, nine holes on Saturday and nine Sunday. The venue was a difficult 7,099-yard course designed by Nicklaus for Desert Highlands, a real estate development.

The consensus among the players was that it was an exciting format, especially when ties forced carry-overs of stakes. But they agreed that one such stunt a year was enough, that any more would undermine the regular PGA tour.

On both days the players kidded one another often, but they turned serious when the stakes got higher. Toward the end, Watson appeared rather grim. He had scored four birdies in the 18 holes

but, as he said, "My timing was wrong." He won the first hole Saturday with a birdie-3, but his other three birdies were matched.

In this two-tied, all-tied game, much of the joking occurred when players who were out of a hole thanked one of the others for keeping him alive with a tie.

Thus, on No. 11, worth \$80,000, Watson birdied with a 4 while Palmer and Nicklaus were out of it. Player, on the green in two, got down in two putts from 50 feet. Nicklaus gave Player a congratulatory "high five" — but first he had to show Player how a high five works. Palmer, who had botched the hole and picked up, thanked Player with a conventional handshake.

Sunday's play started on the 10th hole, worth \$20,000 plus a carry-over of \$40,000 from ties on Nos. 8 and 9. Watson and Player tied with par-4s. The same two tied the 11th with birdie-4s. On the 12th, a par-3 of 177 yards, Watson was farthest from the pin, about 50 feet. He putted beautifully to within one foot. Palmer had exactly the same line but from 40 feet. His uphill putt mimmed the hole, wiggled on the rim and then fell in.

"I thought it jumped out of the hole," Palmer said. Player two-putted from 30 feet and Nicklaus took two putts from 20 feet.

That skin was worth \$100,000 to Palmer. The 13th was the first \$30,000 hole. Nicklaus and Player tied with par-4s, and that made the 14th worth \$60,000. Watson, Player and Nicklaus birdied in 3. The same three parred the 15th in 3. All but Palmer parred the 16th in 3.

That created a \$150,000 stake for No. 17, a par-5 of 570 yards. Palmer missed up the hole. Nicklaus reached the left edge of the green in two; he chipped to within eight feet and missed the putt. Watson had a 10-foot putt for bird, and missed. Player played the hole impeccably — driver, 2-iron and a sand wedge to five feet, and he sank the putt for birdie.

The par-5 18th, for \$30,000, was anticlimactic. Nicklaus hit a good drive, topped a 3-wood and got home with his third shot, five feet from the cup, and sank it for birdie-4.



Gary Player, \$150,000 richer, on the green at No. 17.

NFL Standings

AMERICAN CONFERENCE

Team	W	L	T	P	PF	PA
Atlanta	7	4	0	0	248	222
Buffalo	7	4	0	0	238	245
Baltimore	6	7	0	0	262	213
New England	6	7	0	0	242	238
N.Y. Jets	6	7	0	0	242	252

Team	W	L	T	P	PF	PA
Pittsburgh	9	4	0	0	292	243
Cleveland	8	5	0	0	242	222
Cincinnati	5	7	0	0	217	225
Houston	1	12	0	0	277	289

Team	W	L	T	P	PF	PA
L.A. Raiders	10	2	0	0	249	240
Denver	7	6	0	0	238	227
Seattle	7	6	0	0	238	242
Kansas City	6	7	0	0	238	242
San Diego	5	8	0	0	238	252

Team	W	L	T	P	PF	PA
Dallas	11	2	0	0	244	217
Washington	10	3	0	0	242	222
St. Louis	5	7	1	0	222	291
Philadelphia	4	9	0	0	208	254
N.Y. Giants	3	9	1	0	237	297

Team	W	L	T	P	PF	PA
Detroit	7	6	0	0	238	242
Minnesota	7	6	0	0	238	242
Chicago	6	7	0	0	242	247
Green Bay	6	7	0	0	242	247
Tampa Bay	2	11	0	0	154	210

Team	W	L	T	P	PF	PA
L.A. Rams	8	5	0	0	215	219
New Orleans	7	6	0	0	238	227
San Francisco	7	6	0	0	238	227
Atlanta	6	7	0	0	242	247

Team	W	L	T	P	PF	PA
New Orleans 17	8	5	0	0	215	219
Chicago 12	8	5	0	0	215	219
Tampa Bay 12	8	5	0	0	215	219
San Diego 12	8	5	0	0	215	219
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 ish jockey Brian Rouse rode i
 r races this year, to victory in
 1½-mile Fuchn Racetrack t

